

JPRS-EER-90-165  
17 DECEMBER 1990



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# ***JPRS Report***

## **East Europe**

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# East Europe

JPRS-EER-90-165

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17 December 1990

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## INTERNATIONAL AFFAIRS

### LE MONDE Assesses East European Economic Developments

#### State's Decentralization Role

91EP0091A Paris LE MONDE in French  
7 Nov 90 pp 25-26

[Article by Erik Israelewicz: "Governments Guide Transition to Market Economy"]

[Text] In the year since the fall of the Berlin Wall, how far have the countries of Central and Eastern Europe come in their transition to a market economy? Variations at the outset in the economic and political conditions in Warsaw, Prague, and Bucharest have led each to travel a separate path. But to date, everything achieved still has an aura of impermanence. State planning has been deposed, but the market has not yet been enthroned in its place...

Eastern Europe's democratically chosen new leaders (actors, historians, and sociologists more than economists) have all very quickly been brought face to face with the same three questions: How fast the transition should proceed, how it should be managed, and how much risk should be taken. Their answers have been quite different, depending on the country and the political climate. The oil shock, accelerated disintegration of the Soviet economy, and recession in America make today's external environment unfavorable. The new leaders now believe the transition will be slower, harder and more painful than predicted.

And all of them have accepted the necessity of transforming the centralized, planned systems which they inherited into market economies, though some reached this conclusion a long time ago (Hungary and Poland) while others are more recent converts (Bulgaria and Romania). How fast should this unprecedented transition proceed? Right from the start (LE MONDE of 24 January), there have been two opposing philosophies: shock therapy (the Polish solution) and gradualism (the Hungarian model). It is still too early to tell which is best.

In Poland, Finance Minister Balcerowicz's harsh measures against inflation and the budgetary reforms he instituted on 1 January 1990 have undeniably brought spectacular results in certain areas, including a realistic and stabilized exchange rate for the zloty (9,500 to the dollar), a tangible deceleration of inflation, improvement in the balance of payments, and reduction of the budgetary deficit.

But the "big bang" approach has taken a considerable toll: According to official figures, purchasing power has fallen by 40 percent, industrial production by 30 percent; unemployment at the end of September reportedly topped the million mark (more than seven percent of the work force). What is more, according to IMF experts and Professor Jan Winiecki of the University of Lublin, the

purgative regimen prescribed by liberal (adviser to the Polish Government) Jeffrey Sachs has not been accompanied by the necessary structural reforms.

The Czechoslovak Government, after spending a full year debating the approach to be adopted—and doing virtually nothing on the economic front—at last seems to be following in Poland's footsteps. Ultraliberal Vaclav Klaus, now the deputy prime minister, has prevailed over gradualist Mr Komarek. Economic Minister Vladimir Dlouhy, one of Mr Klaus's supporters, likes to explain that "the best way to learn to swim is to jump into the water." The government team is getting ready for the great leap forward of 1 January, when prices (except for food and fuel) are liberalized and the koruna is made internally convertible. Although the Czechoslovak economy in 1990 continued to stagnate without becoming excessively imbalanced, next year will be more difficult: "We will have many bankruptcies, strong inflationary pressures and negative growth," Mr Dlouhy predicted in the INTERNATIONAL HERALD TRIBUNE of 22 October.

Hungary, already well advanced along the path of liberalization, has by contrast taken a more gradual approach. "Shock therapy was unnecessary, given the less catastrophic condition of our economy," explains Mr. Gyorgy Matolcsy, state secretary for economic reform under Prime Minister Antall, adding that "we prefer to change our system through a series of smaller shocks." At the moment, the Hungarian economy is stagnant, inflation is still moderate (30 percent per annum), and unemployment remains rather low (only 1 percent of the work force).

According to IMF experts, however, the step-by-step policy seems to have become an excuse for doing nothing. Here too, structural reform has not really begun. Officials at the IMF and the World Bank are calling for "acceleration" of liberalization, deregulation, and privatization.

How to manage the transition? Once again, there are two competing approaches. Some advocate an ultraliberal line: "Let market forces operate freely, even if there are excesses." Others, like Mr. Jacques Attali, president of the European Bank (EBRD) [European Bank for Reconstruction and Development], retort that "the market cannot create itself." The debate over tactics in each country has come to a head over the issue of privatization. The abandonment of collective ownership of the means of production and the turnover of all state economic assets to the private sector—key elements of the transition in all these countries—are creating gigantic problems. Should these problems be resolved by the state, at the risk of strengthening, at least in the short term, the very hydra whose elimination is the ultimate goal? Or should market forces be permitted to solve them? The issue is a critical one.

In Poland (privatization of small business) as in Hungary (spontaneous, management-initiated privatizations) and

Czechoslovakia (distribution of stock-purchase coupons to the entire populace), some people believe the market will appear automatically once economic players are allowed to operate as free agents. But many political leaders fear such a course would have adverse side effects, including a rapid reversion to the law of the jungle.

Indeed, the new leaders in all these countries have chosen—at least for the time being, and despite differences in the specific conditions they face—to strengthen the role of the state. The latter's primary mission is to create market institutions. The magnitude of the task becomes apparent in talking with East European economic officials, some of whom make no effort to conceal their anguish. They must simultaneously establish an entirely new legal code (including laws to protect private property rights), set up markets (for capital, labor, money) and create and implement new budgetary, political and monetary policies. All these countries, for example, have established agencies to implement the privatizations; they also require revenue courts, machinery for the resolution of trade disputes, etc.

#### Unrest, Nationalism

Strengthening the state in order to privatize the economy: The paradox is not always easy to overcome. Some people understandably fear the new regimes will prove unwilling to abandon the powers they themselves have created. That is one of the perils of transition: It seems a strong state is needed to support the creation of a market economy. And must that state at the same time lay the foundations for its own withdrawal from the field? A delicate dialectic!

But there are other dangers, some of which have already become quite apparent. First of all, there is the threat of social unrest. Will the peoples of Eastern Europe, now called upon to show a spirit of initiative, accept the new sacrifices demanded of them—loss of job security, unemployment, initial deterioration in living conditions? In the East, life has always been difficult, but habitual ways of doing things are hard to give up.

"Streetcars used to pass through my neighborhood at least once a minute. A lot of the time they were empty, but they were certainly convenient," recalls one Hungarian, who adds: "A revolt is brewing, now that the Budapest transport company has decided to cut back the number of runs for the sake of profit." Small details, but an accumulation of them can result in serious malaise. All the governments are trying to build "safety nets" for those victimized by the transition (the newly impoverished, such as retirees, the unemployed...) But will these state-established buffers be enough?

Some fear that economic hardship, even if temporary, will lead to an exodus of the elite to the West. The threat extends beyond the former GDR. It also worries leaders of the other countries in the region. Finally, some are concerned that economic woes could fuel nationalist

feeling. Already the role of foreign capital in the reconstruction effort is the subject of heated debate. All the leaders have come out publicly in favor of Western investment. Western firms are free to invest in privatized companies. They have been offered ultraliberal, highly advantageous terms—even in Romania. General Motors has obtained a 10-year tax exemption in Hungary! Japan's Suzuki is seeking similar treatment.

But for advisers to Walesa (Poland), Havel (Czechoslovakia), and Antall (Hungary), such bargains mean political headaches. People everywhere are beginning to feel that large chunks of the national patrimony (starting with some of the most valuable) are being sold for a song. Such sentiments might well become even more intense in the event of serious economic and social crisis.

In the last analysis, what kind of new economic system do today's leaders want to create? They intend over time to reduce the role of the state and increase that of the market: but this objective, publicly proclaimed everywhere, does not tell us enough about their actual aims, which appear to differ markedly from one country to the next. The former GDR, financed by the FRG, is moving toward the West German model, a "market-based welfare economy." At the moment, the goals of the other countries seem less well-defined. In Poland, close advisers to candidate Lech Walesa seem attracted toward a populist national capitalism (with a very broad base of shareholders) similar to what has been proposed by some members of Democratic Forum, the Hungarian prime minister's party.

Czechoslovakia's current economic czar, Mr. Vaclav Klaus, is calling for undiluted capitalism. "Those searching for a third way somewhere between market economics and socialism must understand that such a course leads only to the Third World," he explained at a recent seminar. Without a pilot to steer clear of shoals and reefs, one or another of these new democracies may come to grief in the stormy seas of transition. And it is the state—paradoxically perhaps—which today appears best qualified to take the helm.

#### Further on State's Role

91EP0091B Paris LE MONDE in French 8 Nov 90 p 28

[Article by Sophie Gherardi: "How To Reform CEMA [Council for Economic Mutual Assistance] Without Killing Trade"]

[Text] A lot of high-sounding words about collapse, decadence, and decay are bandied about freely in talk about the countries of Eastern Europe. Like most of the institutions unique to the Communist model, CEMA [Council for Economic Mutual Assistance] is now moribund. Moribund, but not dead. Because it is part of an economic system which in Eastern Europe has proven much more difficult to dismantle than the political order.



CEMA is the absurdly complex organization which since 1949 has governed trade relations between the six countries of Eastern Europe (Albania withdrew in 1961), the Soviet Union, Mongolia, Vietnam and Cuba.

Thousands of functionaries have worked for decades to refine what one cynic calls the "management of economic inefficiency on an international scale." The result of their labors is a mechanism that would have delighted Lewis Carroll—but also one whose machinery is as difficult to escape as the mazes in Alice's "Wonderland." To summarize: all international trade in each of the member countries was centrally controlled; trade between CEMA partners (accounting for 60 to 85 percent of all external transactions, depending on the country) was handled bilaterally on the basis of medium-term contracts for fixed quantities of goods at fixed prices. These prices were denominated in "international" or transferable rubles, which were given a different value depending on the product and the country. But the cost of production had very little to do with how the determination was made. CEMA tried to take account of "world prices," but in a very special way: products were treated differently according to whether they were considered "hard" (saleable for hard currency) or "soft" (unmarketable outside the East bloc).

#### Total Reform

The system has not ceased to exist: The only reason we can speak of it in the past tense is that its participants have all acknowledged it must be reformed from top to bottom. The decision was made in January 1990 in Sofia, at the 45th meeting of the Council. There the Soviets announced that starting 1 January 1991 they would transact all their commerce in convertible currency at world prices—a substantial change. Another fundamental principle of CEMA was officially abandoned: that of country specialization, the so-called "international socialist division of labor."

Since then, the committee charged with the task of drawing up a new charter has met three times. Few tangible results have come out, except for the fact that controversy arose over the new name to be given the organization: council of economic cooperation? organization of economic cooperation? council for economic interaction? At all events, the new rules of the game are expected to be ratified at the 46th session, originally scheduled for October or November.

Mrs Anita Tirapolsky, a researcher with CEDUCEE (Center for Studies and Documentation on the USSR, China and Eastern Europe), does not believe the Eastern countries are going to scrap existing trade ties with a stroke of the pen. For several reasons. First of all, discussions among experts have established the fact that the importance of the trade between the USSR and Eastern Europe has been poorly understood. In particular, the degree of reciprocal dependence with respect to certain products is much greater than previously thought. If everyone tries to find suppliers in the West,

deficits will build up and domestic enterprises will be threatened with bankruptcy. That is why the Soviets propose to create a new community that would function on the basis of world prices, through a "clearinghouse" mechanism by means of which less profitable products would be brought gradually to full convertibility.

#### Negotiating Prices

There are other arguments for a "gradualist" approach to CEMA reform. The Gulf crisis has made the countries of Eastern Europe even more dependent than before on Soviet petroleum. Czechoslovakia, Poland, Hungary, Bulgaria and even the USSR itself had only recently concluded agreements with Iraq, a country that paid in petroleum for its arms deliveries. The international embargo has sharpened an energy crisis that already existed in latent form. Given how much less it costs to transport oil from the USSR than the West, the East Europeans have a strong incentive to compromise. According to Mrs Tirapolsky, that will allow the Soviets to take a tougher position on "barter" arrangements.

Previously, these transactions were calculated on a straight physical basis: a ton for a ton. Henceforth, prices must be negotiated, and the selling price for equipment from Eastern Europe will have to come down (otherwise why would the USSR want to buy?). Another question: will the USSR sell to CEMA countries when it can market its goods to clients more likely to pay?

Does this mean the Soviet Union holds all the high cards? Not at all. As shown by the detailed study of Soviet external trade published in the September issue of *COURRIER DES PAYS DE L'EST*, The USSR is heavily dependent on machinery and equipment furnished by CEMA partners—up to 40 percent in some sectors. Conversely, its partners also represent an essential market outlet for a number of Soviet manufactures, not just raw materials. In the field of industrial textile equipment, for example, intra-CEMA commerce is now so brisk it almost resembles trade between developed countries... Also, in the service sector, the Eastern countries provide Soviet industry with significant scientific and technical assistance in exchange for oil.

#### Mutual Interest

In sum, it is understood that it is in no one's interest for the trade structure of Eastern Europe to come tumbling down. Moreover, steps toward more economically realistic relations are already being taken. Bulgaria is a good example. In its trade with Czechoslovakia, Bulgaria is being paid in transferable rubles until the end of this year; but due to its de facto currency devaluation, it must deliver twice the amount of goods to earn the same sum of rubles. There are inconsistencies, too. With Hungary, Bulgaria still trades in rubles on a "one for one" basis, while with the former GDR transactions are handled in Deutsche marks. Vis-a-vis the Soviet Union, the current state of play is as follows: beginning on 1 January, the medium of exchange will be hard currency, and trade

will be based on market prices; however, for strategic materials—including oil—allocations will be maintained, and paid for in merchandise (a survival of the old system). The other Eastern countries are likewise engaged in bilateral negotiations to define their commercial protocols for the upcoming transition year. After that...

The idea of a gradual "normalization" of transactions among the countries of Eastern Europe is obviously subject to a major question mark: will the Soviet Union itself remain a single trading partner, or will Georgia, the Ukraine, Armenia and Russia begin conducting their own external commerce? Poland and Hungary have already established contacts with the republics (Byelorussia, Ukraine, and the Baltic countries). But most trade negotiations are still handled in a centralized manner. It remains to be seen whether the commitments made by the central Soviet state will be honored.

#### Key Figures<sup>1</sup>

|  | 1988  | 1989  | 1990<br>(6 months) |
|--|-------|-------|--------------------|
| <b>External Debt (billions of dollars)</b>     |       |       |                    |
| Bulgaria                                       | 8.89  | 10.22 |                    |
| Czechoslovakia                                 | 7.28  | 7.92  |                    |
| Hungary  | 19.63 | 20.61 |                    |
| Poland   | 39.10 | 40.58 |                    |
| Romania  | 2.80  | 1.00  |                    |
| Yugoslavia                                     | 18.45 | 16.47 |                    |
| <b>Official Reserves (millions of dollars)</b> |       |       |                    |
| Bulgaria                                       | 1,460 | 1,010 | 180                |
| Czechoslovakia                                 | 1,827 | 2,390 | 1,800              |
| Hungary  | 1,976 | 1,725 | 1,000              |
| Poland   | 2,244 | 2,503 | 3,364              |
| Romania  | 800   | 1,700 | —                  |
| Yugoslavia                                     | 2,378 | 4,216 | 9,000              |
| <b>Change in Real GNP (percentage)</b>         |       |       |                    |
| Bulgaria                                       | 2.4   | - 1.5 | - 9                |
| Czechoslovakia                                 | 2.4   | 1.7   | —                  |
| Hungary  | - 0.1 | - 1.8 | - 2                |
| Poland   | 4.1   | - 0.5 | -10                |
| Romania  | 0.9   | - 7   | - 3                |
| Yugoslavia                                     | - 2.3 | 0.8   | - 6                |

1. Estimates and projections prepared by the EEC Commission, taking into account the repercussions of the Gulf crisis.

#### International Assistance Issues

91EP0091C Paris LE MONDE in French 9 Nov 90 p 37

[Article by Francoise Lazare: "International Assistance: Years of Maximum Danger"]

[Text] It has been a year since the countries of Central and Eastern Europe began their conversion to a market economy. The supportive ties they maintained within CEMA [Council for Economic Mutual Assistance] may not have not altogether disappeared, but they are certainly much weaker now (LE MONDE of 7-8 November).

What about the ties beginning to emerge with Western countries, all of which (even the United States) today believe that financial aid to Eastern Europe is imperative?

For the last several months one of the major themes of international diplomacy has been that Western aid to the six countries of Eastern Europe (Bulgaria, Hungary, Poland, Romania, Czechoslovakia, and Yugoslavia) has become a matter of the highest urgency, as a result of the rapid increase in the price of oil since August and the expected dissolution, starting in January, of CEMA's centralized trading system. "Only a few months ago, it was believed these countries could handle matters themselves, but today, even among the most advanced of them, the beneficial effects of macroeconomic stabilization are at risk," says one specialist with the United Nations economic commission for Europe. "If they are left to face the music alone, their people will be put under yet more pressure, jeopardizing the success of the reform process," according to a European Commission document.

#### Coordinated Support

The sense of urgency could have a demoralizing effect on citizens. Now that the political euphoria has faded, East Europeans are starting to realize that life has not become any easier, while protest is now permissible. In East and West alike, there is concern today over the growth of protest movements that often assume an unhealthy populist form. "Considerable courage is needed: There will be a window lasting no more than about two years, and everything must be put in place while the window is open," says one high international official. During those two years, he went on, "Eastern Europe must be bound securely to the West," by building the infrastructure needed for harmonious relations between the former blocs. But until the infrastructure and institutions take shape and Western business investment pours in, the countries of Eastern Europe must find the means to finance their external payments.

Facing the prospect of these "years of maximum danger," Western countries have mobilized considerable support—if not for the USSR as yet, at least for the other states. The various international financial organizations have made significant assistance available to Eastern Europe, while PHARE [expansion unknown], a mechanism to coordinate the support provided by the industrialized countries, has been established under the aegis of the Commission in Brussels. The European Bank for the Reconstruction and Development of Eastern Europe (EBRD), a new organization entrusted with the task of

assisting in the transition to market economies, is expected to be in operation sometime next spring.

EBRD has a capital endowment of 10 million European Currency Units [ECU] (about 70 billion francs [Fr]), an amount which may be reduced by borrowing on the financial markets. The six countries of Eastern Europe could obtain close to \$5 billion (about Fr25 billion) from the IMF in 1991. The World Bank is prepared to loan \$7-8 billion to its East European members over the next three years. This year the bank is providing \$2.5 billion to the region, an amount equal to one-sixth of the organization's total financial commitments in the Third World. The European Community budget calls for the commitment of 500 million ECU (Fr3.5 billion) in 1990 and 820 million ECU the following year via the PHARE program, which altogether "weighs in" at \$11 billion over the next two years.

All these funds—which will be used to finance balance of payments deficits, build infrastructure, train white-collar workers and privatize enterprises—add up to a lot of support. One high-ranking French official estimates multilateral and bilateral aid (apart from EBRD) will amount to \$40 billion "over the next few years."

It is still too early to estimate the total cost of transforming the East European economies. The cost will depend on such diverse variables as the degree of sacrifice imposed on the people, the volume of foreign business investment, and the development objectives embraced. Except in the Soviet case, short-term needs are more or less known. With CEMA's liberalization and the sharp increase in the price of crude, it has been necessary to revise projections, and it seems Eastern Europe will come up disturbingly short. According to recent calculations by the European Commission, in order to make up their balance of payments deficits on current account and increase reserves enough to support the introduction of convertible currency, the six countries will need \$15 billion next year alone. That amount would be much less without the restructuring of CEMA (projected to cost \$6 billion next year) or the increased price of oil (close to 7 billion, assuming oil is \$29 a barrel in 1991).

#### **A \$15 Billion "Shortfall"**

The commission believes some \$7 billion in official loans and \$1 billion in private financing will be made available to fill this \$15-billion "shortfall." Thus \$7 billion more must be found. To avert a financial collapse, the Commission proposes to allocate 7 billion ECU for the creation of a "stabilization fund" for East European currencies, similar to the \$1-billion fund established for Poland early this year.

With respect to the USSR, however, there is greater uncertainty. The Western governments, after their debate at the Houston summit last July on the advisability of providing financial assistance to the Soviet Union, have entrusted their experts with the job of formulating a position on the question. One study,

currently being completed by the World Bank, the IMF, the OECD and the EBRD, is supposed to be delivered to the governments before the end of the year. There is absolutely no doubt it will recommend some support, but the form in which it should be provided is uncertain. The choices range all the way from purely technical assistance to general balance of payments support of the kind extended to the other East European countries.

The economic situation and the financial needs are so difficult to assess that it is not even certain the study will propose a real overall strategy, especially in light of skyrocketing oil prices. "I doubt they are going to be more adventurous than we," says a member of the European Commission, making reference to the analysis of the Soviet economy which was presented to the Council of Europe in Rome on 27 October but deferred because of current uncertainties.

#### **Three Pitfalls**

As pointed out by Prime Minister Jacques Santer of Luxembourg during a visit to Moscow, aid to the USSR represents a "moral obligation" for the EEC. But it is still necessary to decide what to do and how to do it. Statistical knowledge about the Soviet economy is so inadequate that no expert dares propose a specific financing plan, while the Soviets, for their part, content themselves with periodically financing wheat purchases and asking for billions of dollars to acquire consumer goods.

Western financial resources are not unlimited, especially at a time when global development faces new threats. In committing themselves to help Eastern Europe, the industrialized countries need to avoid at least three pitfalls, all of which are most apparent in the USSR. The region's external indebtedness is one of the highest in the world, and some countries—Bulgaria and, to a lesser degree, Poland—have already fallen into arrears. Excessive lending could lead eventually to the eruption of a new debt crisis like the one still unresolved in Latin America.

Lending might also be ineffective, given the huge imbalances in these economies. Without strict macroeconomic stabilization programs and improved management of public sector finances, billions of dollars could disappear without a trace. "One sometimes gets the feeling that the economic difficulties are being exaggerated these days in order to siphon off more international aid," says one French official. Finally, Western financing is tied to economic reforms which could—if poorly designed—exacerbate rather than alleviate the crisis. In that regard, the risks of corruption and diversion of funds are not to be ignored.

How then can we meet our "moral obligation" to help the East Europeans transform their economic system, and do so without wasting our money? Though no overall solution has appeared, several promising initiatives have emerged that focus on revitalizing specific sectors and rebuilding trade within the region.



At the European summit in Dublin last June, Netherlands Prime Minister Lubbers proposed creation of a European energy community that would channel part of the aid to the USSR and Eastern Europe into that sector. Such a community, largely financed by the West, could alleviate somewhat the energy burden borne by the former Soviet satellites and make at least this one sector of Soviet industry more efficient.

Czechoslovakia has suggested a post-CEMA system in which the USSR would continue to supply energy to Eastern Europe, in return receiving credits toward the purchase of goods in the former satellite countries. In plain words, the West would subsidize intra-CEMA trade. According to a EBRD expert, "intraregional trade is the most critical problem of all." It appears that maintenance of close commercial ties between the USSR and its former satellites is inevitable—and not too onerous for the West—if the economic collapse of Eastern Europe is to be avoided. Outside of outright balance of payments support, novel ways of channeling Western aid remain to be found.

A year after the fall of the Berlin Wall, the Western countries have no intention of plunging into an East European reconstruction scheme modeled on the 1947 "Marshall Plan" for Western Europe. Such a plan would be too difficult to manage; moreover, it would not fit in well with the economic structures which the Western countries want to see consolidated in Eastern Europe. On the other hand, the governments have clearly stated their resolve to provide massive support to the region, the USSR included. But if the game is to be worth the candle, the new East European leaders must keep a close eye on the effects of their economic policies, and assistance must be closely coordinated by their Western counterparts. It will be difficult to avoid waste and slippage. But the West's economic, technical and financial support now seems essential to economic renewal in Eastern Europe.

### **Vatra Romaneasca: Contrasting Views on Organization**

91BA0064A Budapest NEPSZABADSAG in Hungarian  
21 Oct 90 p 25

["Text" of statements on the nature of their organization by leading Vatra Romaneasca personalities Petru Olariu and Radu Ciontea; place and date not given: "Confrontation"—first paragraph is NEPSZABADSAG introduction]

[Text] "Knit one, purl one..."—this is how Bishop Laszlo Tokes, in a statement given previously to our periodical, characterized the propaganda tactics of certain Romanian political circles. And this is how we actually perceive it if we compare statements by two prominent personalities from one and the same organization, the Vatra Romaneasca. The statements came out at roughly the same time in Vienna (where Professor Petru Olariu, Vatra chairman, was speaking at the Concordia press club) and in Nagyvarad [Romanian: Oradea], (where

Radu Ciontea, well-known parliamentary speaker for the organization, was responding to questions from like-minded residents of Bihar [Romanian: Bihor] County). The source for a portion of the material reported by our periodical comes from the Nagyvarad independent Hungarian-language newspaper, the BIHAR NAPLO; title: "Hair-raising Dialogue."

### **Petru Olariu: The 'Knit'**

"Vatra Romaneasca" does not mean "the cradle of Romania," it means "Romanian cradle," and not just the cradle of one nationality but of all the nationalities that comprise Romania. (NEPSZABADSAG editor: the original meaning of the word Vatra is hearth, and with a degree of solemnity added, can also be interpreted to mean "cradle.")

From a party standpoint, Vatra is a neutral organization working toward the intellectual, economic, and social renewal of Romania within a Christian-European spirit. The collaboration of all nationalities, denominations, and social classes must give rise to this renaissance.

The road that leads to renewal cannot be laid down by fiat as during the years of the dictatorship; it must be sought in dialogue and in negotiation. The search is going on not just at the level of the state, and Vatra wishes to play a decisive role in this issue also. Not long ago discussions were held with representatives from your fellow countrymen of the Old Austria and the ethnic German group, in addition to the Hungarians.

We came to the realization that together we would have to solve the highly important and at the same time sensitive issues of minority rights, and therefore we will continue dialogue and negotiation in the future.

The results of working together will be noticed, probably at the state level as well.

We are aware that it is possible for Romania to return to the common European family home through Budapest, with the concurrence of the Hungarians, but not just and exclusively in that manner, but through Austria and through spiritual centers such as Vienna also, and through every European country which is ready to help us in again forming a connection to modern Europe.

The Vatra Romaneasca (the Romanian cradle) represents common sense rethinking, in looking back on the religious and cultural foundations of today's Romania and taking into account the great ethnic and religious variety within the country. A communal, humanitarian union for the benefit of those who live in Romania which lays no claim to any type of political party representation.

Any individual member of Vatra may freely join any type of party, and there he may bring his political energies to bear, but the chairmanship (the leadership of the association) and the leaders of the group must remain independent of political parties.

This large organization, numbering about six to eight million members, is still in the condition of searching itself out. (NEPSZABADSAG editor: The figure is doubtful: the VR (Vatra Romaneasca) did not receive a third that many votes in the May elections. Of course, this does not preclude "secret" or forced membership.) Even if the version of the basic rules currently in force keeps a proper distance between itself and the rabid nationalists, much work still remains for us in this area.

The short-term goals of Vatra are as follows:

1. Immediate steps to improve the situation of the German population in Romania currently constrained to stay there.
2. The formulation of positions concerning minorities and of minority laws based on those positions (school, language, culture).
3. The cooperation of all ethnic groups in the preservation of their ethnic identities.

My visit is not a political errand; it has two main goals:

1. What can we do together in the interest of keeping the German ethnic group that is so important for us at home in its Romanian homeland, that is, what can we, Vatra, do for the interests of our fellow German countrymen.
2. Taking stock of, and obtaining information about, how the problems of minorities are being solved in other European countries. From this information we can get ideas that show a model for solving the special Romanian situation.

We inherited and adopted our own judicial practice concerning minorities from the communist dictatorship. In those days they decreed what they wanted to allow the minorities.

Today in the name of democracy the solutions must be worked out together with the minorities. We must find the balance of interests.

We can study the relevant judicial practices of other European countries for this, too. Vatra will therefore seek out the Austrian experts on international law to obtain information and suggestions from them. Your experiences will be of assistance to us. A study group will soon be arriving in Vienna to request information on the issues mentioned.

Vatra has been judged in West Europe on the basis of its earlier statements of program, and a portion of those were disseminated in the form of fake Vatra-programs hinting at communist or fascist aspects of the organization. Believe me, we do not wish to go down either one or the other of those paths. In other words, these lead not to Europe but to isolation, and they contradict all the basic precepts of Christianity that we regard as the pillars of our culture and our social life. We want to advance along the path of human rights, minority rights, and democracy.

The mass emigration of the Saxons, the Swabians, and others is a great tragedy. We understand this, because in the past these peoples were abused. Because until now the introduction of rapid land reform and broader minority rights was impossible, we also understand that many people were incapable of waiting any longer and lost their confidence in us. On the other hand we are grateful for every member of this industrious and action-oriented population who stays and helps us in building Romania anew. We hope we succeed in short order in establishing the type of conditions that will make a return to Romania attractive.

Therefore the emigrants' houses must be left in their ownership, first, so that they can live in them during the summer vacation period—if they come home then—and second, so that the houses can serve as permanent abodes in case residence is established at some future date. As much as we understand the German emigrants and regret the loss suffered by the country through their absence, we also understand that Austria does not want to immediately and indiscriminately accommodate every economic refugee knocking on the door whose mother tongue is Romanian because he finds economic conditions better here.

Our opinion is that we must work hard on the construction of our own country rather than take advantage of the affluence that you have established in your country. And we are asking for your help in this. Not so much in giving advice economically as in theoretically and professionally. We have put an unfortunate spiritual "pause" lasting many decades behind us, and now we must learn masses of things. We request your support and assistance in this.

We will need investors coming from your provinces who will introduce the most up-to-date methods of management in Romania. Technical and technological levels, health affairs, natural and social sciences in our country must again be raised to European levels. To do this we are hoping for the cooperation of all the talented people whose native language is German who once lived in Romania and left the country either because of the war or afterward because it did not offer them a promising future.

We want to renew old friendships and initiate new ones.

I ask your help on a road that will not be easy for us!

#### **Radu Ciontea: The 'Purl'**

If I summarize the content of the questions that all of you have put to me, this is what I suggest: Imagine mass meetings similar to ours taking place at the same time in Galati, Pitesti, Tulcea, and Bacau. Listen and believe me: I envy those Romanians there, because they don't have—and may God help them!—worries that can compare to ours. I would like to say again what I said in the sports hall on 8 February at the Vatra Romaneasca meeting in Marosvasarhely [Romanian: Targu Mures]. I must confess to you (and please don't boo me for this),



that, for myself, I feel sorry for the man who led this country who was finished off by his own bullets. And the reason I feel sorry, because however bad a person he was also, is that at least he could guarantee quiet and tranquillity in Transylvania. At least in his time the most privileged minority in the whole wide world did not transgress—as they do now—the bounds of basic decency. (Applause)

In December and afterwards the country was like a ship that had sprung a leak: The water was gushing in. What were the Hungarian extremists in Romania doing? Instead of helping in the rescue, they were bailing in the water by the bucketful. Let's not cover our eyes, some people are being deceived about there being no threat of any danger. Of course there is danger! We are in danger! Why shouldn't we say that out loud? We don't want to use this to whip up national feelings, but we have to say it right out: The uproar going on around us reminds us a lot of the scenario in 1940. Now, as then, we can count on Transylvania being the weak link in the chain.

Let it be clear: The Hungarians want Transylvania! (Thunderous applause)

They were never able to take Transylvania away from us except by the aid of the great powers. The Hungarians have always lived off the crumbs that fell from the banquet table of the great powers. We must be alert because power relations in Europe are in flux. Not long ago I was in America. I saw ground paprika imported from Hungary on the store shelves, and the bags that held it were decorated with the map of Greater Hungary, including, of course, Transylvania. They cost four dollars. I didn't have enough money to spend a small fortune on half a handful of Hungarian paprika, just because the bags were interesting.

The leaders of the Hungarian minority are being manipulated from Hungary. So they must face up to their own nationality one of these days! And let it be clear: The way the Romanian peasant plows, sows, and tends a garden is exactly the same as the way the Hungarian and Szekler do it. But they are manipulating these people, and some of them are inciting hatred and hostility. We cannot accuse a minority in its entirety. Their leaders are primarily responsible, and concerning these people, it must be known that this time the Hungarians selected their smartest and wiliest representatives for their leaders, the ones who know how to take chances most effectively in the name of the Hungarian minority. What is their goal? First, they want to get their hands on the schools. Then they want to grab the fertile land, the real estate, and the key economic sectors.

After the educational institutions, the bulk of the land, and the key industrial sectors have fallen into their hands, once again we will become the serfs in Transylvania. So we must be alert so we can prevent this. The

Hungarians are taking limitless advantage of the opportunities offered by the democratic turnabout: They are quietly skimming off the cream of the national assets for themselves.

The leadership is fiddling around with trifles and putting off decisive steps on the matter of Transylvania. The reason for this may be that the presence of Transylvanian Romanians is almost nonexistent in the top circles of power. (Applause) I am convinced that things will only be straightened out when Transylvania gets the representation in the central leadership which corresponds with its importance, and carried out by the kind of Romanian men in whose hearts Transylvania has a special place. (Applause)

Or let's look at this: How large was the proportion of political prisoners of Hungarian descent compared to the population during the time I mentioned? The communist nomenclatura of the past was riddled with Hungarians, from the party secretary posts at the workplace to the members of the Central Committee, and now in an obvious aboutface they are accusing the Romanian people as a body of being petty tyrants. However, they are not asking Messrs. Kiraly and Domokos when the last time was that they kissed the hand of the country's most erudite lady [reference is to Elena Ceausescu]. (Applause)

I don't want to accuse anyone, but I must state that the most bloodthirsty henchmen of the former Securitate and militia were Hungarians.

The official language of the December revolution was Romanian. Did you see among you any Hungarian language protest signs or hear "Down with the tyrants!" chanted in Hungarian? No! An order was given to them to not take up the cause.

There have been mistakes up to now, and there will be after this, also. However, one of them was big enough to make a person almost faint: Karoly Kiraly was nominated for the position of vice president of the Romanian Senate, and 74 people voted in favor, although—I admit it—I tried to talk everyone of them out of it. I argued that this man had no (could not have any!) credibility. "He reasons differently," he was "recalcitrant"—they say. In reality he confronted Ceausescu only as a person obsessed by minority privileges. Never for himself did he condemn the system's dogmatism. He went into opposition as an extreme Hungarian nationalist. When they elected him I asked, "My God, what am I looking for here? What can there be here for me to look for?"

The Hungarians are operating on a plan worked out in advance. There are three strategic variations (which were made public in broadcasts on American radio stations). The first: By exploiting the chaotic conditions following the revolution, Transylvania will become independent. The second: A Swiss-style confederation will be established between Old-Romania and Transylvania. The third: Transylvania will be torn away by military force.

Well, they have tried that.... Hungarians occupied the city hall in Marosvasarhely for one night. That night trains packed with miners were stopping in Szekelykocsard. They were not deployed because Vatra Romaneasca intervened. We did not want blood to flow. We did not want fatalities. We did not respond to the provocation. With regard to the question about the press, I say this: just dogs barking at the moon. There is nothing wrong if our opinions conflict, because if we were to have only one opinion, that would mean we were on the way back to dictatorship. But everyone has limits. Therefore we are going to propose that a law be passed to punish an offense against the dignity of the nation just as offenses against the imperial or royal majesties were punished in the old days. (Applause)

One of Vatra Romaneasca's efforts—primarily since the time it stumbled onto the Hungarian minority's lack of loyalty—is to propose and see through a new regional administration redistricting of the country in such a way that there shall not be a single country in which the Romanian inhabitants constitute a comparative minority. (Applause)

I don't think I can look for a better place to conclude, so I will stop here.

[Box, p. 25]

The questions which Radu Ciontea referred to on several occasions were put forward by the participants at the beginning of the meeting. Since these are good in characterizing the blind or, alternately, the bedazzled state of mind of the people, it is worthwhile selecting a few of them:

Doina Ignat was curious how long the government would go on tolerating some people branding the Vatra Romaneasca an extremist organization without being punished.

Stelian Vasilescu is also inquisitive about the limits to the central leadership's patience: How long will it turn a blind eye to the BIHAR NAPLO being published in Nagyvarad and not in Oradea [Romanian name for the same town].

Pediatrician Tripa Gheorghe wants an account of what steps the government has taken against the brutal crimes of the Hungarians, during the course of which Romanian children were hounded out of the schools and Romanians were ousted from their jobs and forced to sell their dwellings in Szekely [Eastern Transylvania]. He reminded people that in 1918, 600,000 Romanians lived in Hungarian territory. Their number has since decreased to 20,000, and they have no Romanian-language institutions of learning, kindergartens, schools, or universities. He proposes that in the spirit of reciprocity only as much freedom be granted the Hungarian populace in Romania as the Romanian inhabitants of Hungary have. And based on this thesis, he goes on to propose that all Hungarian-language journals and radio and television broadcasts be banned here at home.

Aurelia Mirescu suggests that an edition of the White Book be published with the names of the Romanian victims of the Vienna Diktat and that this be sent out to all the governments and embassies in the world. She expresses her suspicion that the reason the experts' report on the events at Marosvasarhely is not being published is that it would definitively indict the pampered Hungarian minority, and that it would reveal that in Marosvasarhely in March anti-Romanian genocide did occur. She asks for information about the state security situation (given that no state anywhere can exist without a security apparatus), and proposes at the same time that the well-tested network of informers be reestablished, and, additionally, that members of the Armed Forces who hold top positions be prohibited from marrying Hungarian women.

Retired lieutenant colonel Mihai Moldovan is interested in what security measures have been taken to prevent acts of sabotage arranged outside Romania's borders against key industrial enterprises.

War veteran Nicoari Gavril takes exception to the fact that Hungary has not expressed its gratitude to the Romanian army for there being close to 50,000 of its heroic dead on Hungarian territory.

A retired woman schoolteacher who does not want to reveal her name (but her ex-pupil revealed that she is Mrs. Lamureanu) is curious that the large number of Hungarian emigrants to the West would have periodicals in their native language. No one knows about anything like that. She expressed her astonishment and disapproval that a handful of hooligans who are not even knee-high to Iliescu could slander him on university property: Iliescu, "the son of democracy."

Valeriu Chislu was pleased to report that two new public-square statues, memorials to Horea and Iancu, could shortly grace their downtown area. Radu Ciontea was invited to the unveilings.

Moldovan Iosif does not understand how there can be discord within Parliament since the people elected it. Although he doesn't understand the reason for the discord, he suspects it might be due to the fact that in only a couple of months the Hungarians have been able to gain more rights for themselves than the Romanians have in two millenia. The absence of unity also explains why all 23 million Romanians did not go to Marosvasarhely in March where they would have so greatly outnumbered the rebellious Hungarians that not a trace would be left.

Zuz Nicolae discusses "obscenities" such as the existence of bilingual placename signs, the disproportionate size of Hungarian populations in the schools, and the existence of Nagyvarad television.

Dr. (name unintelligible) proposes that the diplomas of scholarship students in Hungary not be accredited.

Susu Nicolae wants an explanation why the West is waiting for Romania to grovel before it. How could they forget how effortless their evolution has been while under cover of the heroic Romanian resistance in the trenches?

War veteran Petrut Nicolae objects to Romanian military cemeteries on Hungarian soil being neglected and to some graves even being desecrated. He proposes strengthening the armed forces and police special forces so that they will not need to depend on assistance from the miners for the purpose of maintaining the general peace. He asks that people abroad who "howl" against Romania (he mentions Tokes, Doina Cornea and Ana Blandiana), be punished as an example to others. He calls it unsettling that the Hungarians in Romania enjoy exceptional privileges compared to the Romanians.

Mihaela Bruckenthal-Tutulanu does not understand "what the BIHAR NAPLO and TV Zero in Nagyvarad are independent of." The latter sank so low as to besmirch the national sorrow of Romania by broadcasting an interview with Tokes on the night of 30 August when millions of Romanians were holding a candlelight vigil. She proposes that Hungary offer war damage compensation to Romania and express its gratitude officially for the liberation of its territory by units of the Romanian army. In closing, she demands that Laszlo Tokes be exiled.

Sabau Gheorghe offers an easier solution in reference to what was said by the previous speaker: Tokes does not have to be exiled, he needs to be barred from returning home instead. There are powerful reasons for doing this inasmuch as he treacherously and without any authorization held talks with President Bush and propagandized against Romanian interests.

Dr. Gheorghe Feder, an engineer, attempts to say that it would have been more to the point if representatives of the RMDSZ (Democratic Association of Hungarians in Romania) had been invited, but does not succeed in doing so because he cannot shout down the chorus of catcalls from the audience. Realizing that he is up against a superior force, he yields to the conciliatory words of Viorel Faur, who is presiding, urging him to leave the platform and stay perfectly still.

#### **'Complex' Nature of Polish-Lithuanian Relations Observed**

91EP0070A Warsaw ZYCIE WARSZAWY in Polish  
9 Oct 90 pp 3, 5

[Article by Anna Baczewska: "The Minority—a Specific Situation"]

[Text] "For many decades, the people of Eastern bloc countries—not all but many of them—have been deprived of their freedom and their mentality is a 1939 or 1940 mentality.... There are words and ideas that are just now 'thawing' among us but that have become anachronisms for the rest of the world. Lofty ideas and

high-sounding words that everyone should remember are being rediscovered. But senseless antagonisms, paranoid complexes and inflated passions are being revived. All these ought to have been conquered long ago; it may take many decades to overcome them." These words of Tomas Venclova were not lost on me. He spoke them during a visit to Sejny and Punszk, where Lithuanians residing in Poland hosted representatives of the Lithuanian and Polish governments on 3 October. From Vilnius came Darius Kuolys, minister of education and culture, his first deputy, Vytautas Gaidamavicius, MSZ [Ministry of Foreign Affairs] representative Antanaitis Audrys, and chairman of the Union of Poles in Lithuania, Jan Sienkiewicz. From Warsaw came two deputy ministers of culture, Michal Jagiello and Stefan Starczewski, and other employees of this ministry as well as representatives from the Ministry of National Education and the office of Minister Aleksandr Hall.

When one looked at the inscription "L to the Gas Chambers" which "adorns" the wall of the Sejny headquarters of the Lithuanian Sociocultural Society or saw the shreds of the burned Lithuanian flag (obviously, it is not known whether these incidents do not by chance represent a third force which has become evident in Lithuania as well—the fliers, inscriptions, and desecration of graves with profanities of which Jan Sienkiewicz spoke?) it was hard to forget the words of the emigre Lithuanian poet. It was likewise hard to forget these words when one heard the reference made by Jozef Foroniewicz, chairman of the Lithuanian Sociocultural Society and director of a high school in which subjects are taught in Lithuanian in Punszk, to the Sejm interpellation offered by Deputy Niesiolowski in which he spoke of the oppression of Poles in Lithuania (the lithuanianization of family names and designations, attacks on AK [Home Army] soldiers, the closing of the Polish Institute of Pedagogy, the liquidation of many Polish schools, and the blocking of Poles from holding higher office....) And it was hard to forget them when Minister Kuolys categorically charged the Polish minority with a lack of loyalty to the Lithuanian state, citing numerous examples, and attacked the Polish government for being silent on the question of Lithuanian independence. The requests of the Polish side to refrain from turning the meeting into a contest of wrongs suffered and to separate the reprehensible criminal activity of certain social groups from the Polish government's position and rather to focus on what awaits us in the future, which is the most important test, went unheard. If we do not pass the tests of the future it will be tragic for both sides. Unfortunately, the resentments, animosities, and grudges prevailed and they dominated the meetings at Sejny and Punszk.

If the truth be told, this was to be expected. Problems which had lain dormant for a half-century, now thrust into the framework of formal Polish-Lithuanian contacts, as the floodgates have broken open, could not but rush out full force. There is no pretending that there is no issue. There is an issue. "It is an uncommonly complex



problem. Many people are succumbing to stereotypes. Both sides have unfortunately made mistakes. As a Lithuanian, I shall point out the Lithuanian mistakes and the Poles should point out Poland's mistakes," said Tomas Venclova in an interview for *ZYCIE WARSZAWY*.

Thus, let us attend to our own mistakes, hoping that the Lithuanians will attend to theirs. The Lithuanian minority in Poland numbers approximately 30,000 people, of which approximately 10,000 live in the Sejny area, in the gminas of Sejny, Punszk, and Szymbark. The Lithuanian Sociocultural Society has been in operation there since 1957. Recently the St. Casimir Society was reactivated after 54 years. In five schools and one high school instruction takes place in Lithuanian, but why are there no textbooks in this subject? Why is there not even one Lithuanian among the educational authorities in Sejny, and only one half-time person who is Lithuanian in Suwalki? That is why instruction in Lithuanian is forbidden in some schools, said one of the participants in the meeting at Sejny. Why are there no bilingual inscriptions even in Punszk, the capital of the Polish Lithuanians? Why did a mother who chose the name Jurgita for her daughter have to write in this regard to the Linguistics Institute in Warsaw, because an official in Punszk would absolutely not allow this name? Why does a doctor reprimand a small child who still speaks Polish awkwardly by saying that if she is living in Poland, then she must speak Polish? As Jan Sienkiewicz said, alluding to his own experiences, for a national minority, which is especially sensitive and sensitized, even minor confrontations with the environment are a major matter. A minority views everything acutely and makes categorical judgments; he feels threatened. "There where a minority exists great caution must be exercised. Every minority is a specific situation," said Ignacy Dziemiejko, pastor of a parish in Punszk, in an interview given to *PRZEGLAD POWSZECHNY*.

The past mistakes I have noted weigh heavily upon the PRL [Polish Peoples' Republic] authorities. Incidentally, all of the national associations were under the MSW [Ministry of Internal Affairs] at the time and were controlled by the MSW. Since last October, these associations have been under the aegis of the Ministry of Culture and Art. The current authorities are trying to meet the needs of minorities. The Sejny and Punszk meetings reflect this. Said Minister Starczewski: "The political will of our government is to meet your diverse educational, social, and cultural needs. We would like those elements to predominate which will serve our friendship. The government's declaration is clear." And Minister Jagiello dotted the "i" in Punszk: "Prime Minister Mazowiecki is particularly interested in today's meeting. He would like you to feel that this is your land." How do the Lithuanians react to these words when all their material needs—of which they have many—are not met? They believe that the prime minister will help them to build a Punszk Center for Lithuanian Culture, that the authorities will provide funds, or rather, will add

funding, for folk costumes, for a house of culture in Sejny, for the activities of amateur groups, for publications in the Lithuanian language, and for the First Founding Congress of the St. Casimir Society.... Minister Jagiello explained that all newspapers, not only minority newspapers, are falling off, that construction work on cultural facilities has been suspended, that times are austere, but that the government will do its best. This year the ministry spent 1 billion zlotys for the work of the Lithuanian Sociocultural Society and 280 million zlotys for the monthly AUSRA, plus an additional amount for a computer. But suppose that there would not be enough money for all projects, would the hyper-sensitive minority not consider this discriminatory?

The complex relations between Poland and Lithuania must be viewed from an objective distance. It is not easy to overcome the specters of the past, to which the remnants of totalitarianism have been added. It is not easy to break away from this ballast. The atmosphere of a political rally will certainly not help, and that is what was created at Punszk. The heating up of emotions renders objective discussion and understanding impossible. Minister Kuolys' response to the severe interpellation made by Deputy Niesiolowski was equally severe, if not more severe, in tone. The behavior of the representatives from the Polish government averted a further escalation of emotions. Guided by the principle "A guest in the home brings God into the home," they did not continue the discussion on this delicate and painful plane. Prof. Piotr Lossowski is correct: we must be very objective about our approach to the affairs of Lithuania and Poland as neighbors. In polemics, we must not respond to an epithet with an epithet or to slander with slander. I much preferred the objective statement made by Lithuanian Deputy Minister of Culture Gaidamavicius, to the address made by the minister himself. Gaidamavicius said that the enmity between us was born out of poverty and that the only way out is to raise the level of culture and spiritual life in our countries. In no way will this be easy, he said, for in both Poland and Lithuania the funds designated for culture are minimal. Jan Sienkiewicz spoke even more pointedly on this subject: poverty, animosities, and prejudices between Lithuania and the Poles stem in large part from ignorance, from low culture. The chairman of the Union of Poles in Lithuania, who could hardly be suspected of not "feeling" the minorities problem, also stated: "Throughout the entire postwar period, the governments of Soviet Lithuania and the PRL did not bother with us; they did not notice us. Contacts were limited to visits and declarations of friendship. We just did not exist. Without delving into the affairs of neighboring states, [I must say that] such a stereotype, such thinking are in force today. For the people in power this is convenient. It allows for avoiding quarrels. The time has come for certain matters to be clearly articulated. Something is not right if in the Sejm a deputy who was born elsewhere has made interpellations regarding our question. Why could we not approach our governments to set up an electoral law so that there would be one Pole from Lithuania in the

Senate and so that a Lithuanian from Poland would sit on the Lithuanian Supreme Council? Dual citizenship exists throughout the entire civilized world. Why does the legislation of Lithuania and Poland not provide for this? Our countrymen in the West have it and we in the East do not. It is overt discrimination. What are our diplomatic services doing? A more categorical stance from our governments would enable us to eliminate very many problems in our mutual relations." As a counterbalance there is the opinion of the Lithuanian, Tomas Venclova, whom I have already quoted in this article, who answered my question about whether we will succeed in overcoming stereotypes and resentments by responding that this will happen only when we have open borders and open societies, for better mutual understanding enables us to overcome our resentment. Franco-German relations are perhaps the best example of this.

Let us return to Sejny. From this area came the rebirth of the Lithuanian national consciousness and Lithuanian literature. The eminent artist Andrzej Strumillo, who participated in the meeting, believes that the good tradition of this area will help us to revitalize Polish-Lithuanian relations in the new situation. He is full of hope that everything will turn out all right, that no matter how enormous our wrongs we shall manage to find a common denominator. But who wants to listen to an artist? Will we, the people of the Eastern bloc, be able to overcome our senseless antagonisms, our paranoid complexes, and the inflated passions which should have been overcome long ago? Danger threatens if we realize that the matters affect not only Polish-Lithuanian relations but really our relations with all our neighbors. If we do not conquer our antagonisms, complexes, and passions, no one will allow us into the Europe we so desire.

## POLAND

### POLITYKA Weekly News Roundup

91EP0061A Warsaw *POLITYKA* in Polish  
No 43, 27 Oct 90 p 2

[Excerpts]

#### National News

Recent reports. According to a survey by the Center For Research on Public Opinion...[passage omitted]...support for all the politicians included in the survey has fallen (except for W. Jaruzelski, an increase to 29 percent from 25 percent). In comparison with the surveys conducted in September: [support for] Walesa [fell] from 61 to 47 percent; Geremek from 50 to 38 percent; Michnik from 56 to 48 percent; Mazowiecki from 70 to 63 percent. Trust in the majority of the institutions and associations has also fallen: Solidarity from 57 to 47 percent; the government from 61 to 57 percent; the citizens' committees from 36 to 28 percent. Only the

image of the OPZZ [All-Polish Trade Unions Agreement] has improved: to 24 percent from 21 percent. (The figures are from GAZETA WYBORCZA.)

Włodzimierz Cimoszewicz, the Social Democracy candidate in the presidential election, has asked the State Election commission to hold the elections under international control. He also expressed concern about reports that "the future winner of the elections will have access to the list of individuals expressing support for particular candidates." [passage omitted]

Sejm deputy Tadeusz Manka, chairman of the Factory Solidarity Commission at the Lublin Car Factory, has demanded statutory sanctions against those members of Solidarity, who openly oppose the presidential candidacy of L. Walesa.

The head of T. Mazowiecki's election staff has published a declaration in conjunction with L. Walesa's comment in *Nowa Huta* that T. Mazowiecki has rejected proposals to cooperate if Walesa wins the election and that he justified it saying: "I have grown so much that I want to be president." The head of the staff declared that T. Mazowiecki has never made such a statement. "The last private meeting between the prime minister and chairman Walesa occurred on 31 August 1990 at the residence of the Bishop of Gdansk. The prime minister proposed jointly nominating another candidate who would ensure cooperation for the good of Poland of all the forces that developed from Solidarity and would prevent a deep division of society. Lech Walesa rejected the proposal without discussion." [passage omitted]

SZTANDAR MŁODYCH, the daily for young people, energetically protested the decision of the liquidator of the Workers' Publishing Cooperative to recall the current editor in chief and to name Krzysztof Krol, an activist of the Confederation for an Independent Poland (KPN), editor. [passage omitted]

Mieczysław F. Rakowski at a meeting held under the slogan "How Did It Happen" (the title of a book he is writing): "Why did eight years have to pass before the party understood that it must recognize the opposition as a part of political life? In communist parties, strategic thinking was effectively pruned out; they created policy from plenum to plenum, from event to event. For this reason, the PZPR [Polish United Workers Party] sat down at the roundtable practically without any political conception. And it lost."

From the press conference of the government spokesperson, M. Niezabitowska: "A commission to examine the claims of the churches for the return of property has been in operation for four months; about 1,000 applications have already been submitted, and they are continuing to come in." [passage omitted]

The embassy of the FRG reports that the operations at 14 colleges to train teachers of the German language have been inaugurated. At the request of the voivods in



the Opole and Katowice Voivodships, the German authorities are sending 14 language teachers to those voivodships.

Father Henryk Jankowski talked with Grzegorz Piotrowski, the killer of Father Popieluszko, in prison. "The conversation with Father Jankowski is one of my most happy days; a day full of optimism for the future," said Piotrowski. [passage omitted]

### Opinions

*Gen. Brig. Krzysztof Owczarek, head of the Department of Training of the Ministry of National Defense:*

(Interviewed by Marian Toporek, DZIENNIK POLSKI 15 Oct 90)

[Question] Why are you traveling to the FRG?

[Answer] That Army has very good results in training soldiers. We are slaves of the Soviet model, and it must be verified and supplemented. Recently, I was in the West, in France, for the first time; but I must say, unfortunately, that I brought back very little from their procedures. Perhaps only certain elements of their psychology; the presence of women in the military.

[Question] But you will not bring back Prussian traditions?

[Answer] The Bundeswehr long ago resigned from Prussian traditions and is a factor that democratizes the state.

*Tadeusz Bien, former chairman of the SD [Democratic Party] Sejm club and a former central SD official:*

(Interviewed by Jacek Lindner, GLOS WYBRZEZA 13-14 Oct 90)

[Answer] I could not agree to a way of financing the SD about which only a very few people knew. That is the most carefully guarded secret of my party. Not so long ago, while visiting the coast, the chairman said publicly that the way of financing the party adopted by him will either bring a great success or will end with the greatest financial affair in Europe. If that is the way it is, I thought, then I will resign from this agreement, because I do not want any shadow to fall on me.

*Stefan Kisielewski, journalist:*

(From a comment during a meeting with his readers in Katowice, TRYBUNA SLASKA 15 Oct 90)

"Who will want to be prime minister under President Walesa? I have a candidate. Zbigniew Romaszewski. Unfortunately, he is not popular, but in every respect he is a polished man. Walesa recently said that when he wins he will name Balcerowicz prime minister because he is a guy who can change his views. I am not certain because Balcerowicz has the eyes of a fanatic."

*Zbigniew Bujak, leader of Citizens Movement—Democratic Action (ROAD):*

(Interviewed by Mieczyslaw Nyczek, NOWINY 16 Oct 90)

[Answer] Some ask is it true that I will be prime minister? I stubbornly respond no because I am not suited to exercising any function that requires specific predispositions. Political, organizational work attracts Wladyslaw Frasyniuk and me. We want to organize a group because we are convinced that the stability of Polish politics, the stability of our domestic political scene, depends at present on how well large, stable parties organize themselves, on how well they will be able to form their programs. And if it is successful, it will be the largest, most effective stabilizing element in our domestic politics.

[passage omitted]

### YUGOSLAVIA

#### Croatian Draft Constitution Seen Restricting Civil Rights

*91BA0081B Zagreb DANAS in Serbo-Croatian 30 Oct 90 pp 28-29*

[Article by Vesna Pusic: "The Unprotected Citizen"]

[Text] The Proposed Version of the Draft of the Constitution of the Republic of Croatia has been criticized in public since 10 September 1990 mainly for these three points: 1) because of the way in which it regulates Croatia's relation to Yugoslavia, the dilemma of federation and confederation; 2) because of establishment of a presidential system in the Republic of Croatia giving the president of the Republic disproportionately broad powers; 3) because national sovereignty is put ahead of the sovereignty of the citizen, i.e., because of an attempt to link democratic institutions with the simultaneous existence of two different categories of citizens. Since these are also central political topics today, they have cast in the shadow and pushed into the background the entire remaining contents of the Proposed Version of the Draft of the New Constitution. However, since the Constitution represents the formal establishment of a state, the basic criterion for evaluating it is the manner in which civil rights are defined. The state is a form for reducing the complexity of life in an organized community in which individuals transfer some of their functions to the state as matters which they have in common (defense, protection of the law, education, etc.). The role of civil rights is to maximize the freedom of the individual within that state. Civil rights are those rights considered so basic, universal, and unchanging that they are formally guaranteed by the Constitution and laws. They are in that sense a measure of the individual's freedom in the state, i.e., an indicator of how free the state is. The Constitution defines a set of rules and provisions preventing the state and the executive political power from arbitrarily and tyrannically restricting

and affecting the individual's autonomy and freedom. It is inestimably important, then, that those rules be defined clearly and unambiguously, since they will be all to which the individual can appeal when he is confronted by the military power, police power, and political power of the state.

The instruments of repression that would be available to the Republic of Croatia are more or less those which have been shaped and are at the disposition of all states. But the means of defense available to citizens are much less clear. The passage on freedom in the Proposed Version of the Draft of the New Constitution of the Republic of Croatia is in the second section under the heading Basic Human and Civil Liberties, Rights, and Duties. The basic characteristics of this entire section are as follows:

a) systematic limitation of every right guaranteed by the Constitution. One article guarantees the right, but another paragraph of the same article or the article that follows restricts it;

b) adoption of completely arbitrary criteria used as the basis for those restrictions.

There are three main areas of rights and freedoms regulated by this section:

1. basic civil rights and liberties;
2. rights and duties of the citizen in case of a dispute with the state;
3. the state's penetration into the individual's private sphere.

The concept of civil rights, as well as the concept of the modern state, follows from the liberal tradition and its principal defining characteristics are the freedom of thought and expression, the freedom of movement, the freedom of association, and the freedom of public activity. Three criteria are explicitly defined as the basis on which the individual's freedom is legally restricted in the state, as follows: (1) the freedom of another person; (2) the physical integrity of another person; and (3) the inviolability of private property.

By contrast with the three clearly and unambiguously defined cases we have mentioned in which the state restricts the individual's freedom, this Proposed Version of the Draft of the Constitution envisages the possibility

of rescinding (suspending) civil rights in order, first, to protect the freedom of other people; second, to protect the security of the Republic; third, to protect law and order; fourth, to protect morality; and fifth, to protect health (Article 17). Protection of the Republic, morality, and health are arbitrary criteria. This means that it is left to the executive political power to interpret at a given moment what the interest of the Republic is, what public morality consists of, and what or who is threatening health. It is obvious that this opens up a sufficiently real opportunity for a political party coming to power which would interpret its interests as the interests of the Republic, which would proclaim to be public morality those convictions held by itself or by those which helped it to come to power, and which would proclaim any activity which it wants to prevent or terminate to be dangerous to health (which, if accompanied by appropriate provisions of the Criminal Code, it could in fact become!). These criteria for the restriction of fundamental civil liberties have exactly the same role as the well-known criterion of counterrevolutionary activity, which was the basis for the executive political power being able to decide who and in what cases is engaged in counterrevolutionary activity. It makes no difference whether they throw you into jail because you are threatening the interests of the revolution or because you are threatening the interests of the Republic. It is important who defines what those interests are and what can threaten them. One of the most exact criteria—the inviolability of private property—for example, has been subordinated here to the arbitrary criterion of the "interests of the Republic." Article 52 envisages that private property may be restricted or confiscated "in the interest of the Republic," but it does not say what the interest of the Republic is or who is to define it.

Along with legalizing those specific possibilities for violating civil rights, it provides that the Croatian Assembly or the president of the republic can summarily suspend basic civil rights in case of "immediate danger to survival of the state" (Article 18). The Proposed Version of the Draft of the Constitution does not state what is meant by the "immediate threat to survival of the state." Instead of this permanent threat of martial law, it is possible, for example, to state specifically the only two cases in which martial law is instituted, and these are the threat of war and a natural disaster. The rules and administration during a state of marshal law should be regulated in a specific law that constitutes a part of a system.

| Basic Freedoms                             | Position of Proposed Version of the Draft of the Constitution | Criterion of Restriction   |
|--|---|--|
| Freedom of thought and expression          | Limited by Article 40   | On basis of arbitrary criteria of morality and health                      |
| Freedom of movement                        | Restricted by Article 34                                      | On basis of arbitrary criteria of morality and health                      |
| Freedom of association and public activity | Restricted by Articles 44 and 45                              | On basis of arbitrary criteria of security of Republic and public morality |

What is the relationship between the state and an individual who is the subject of investigation, criminal proceedings, or some other judicial proceedings or who is

serving a sentence pronounced against him in such proceedings? The points at issue in this area of regulation are forced labor, the public nature of judicial proceedings, the

possibility of self-incrimination in investigatory proceedings, and the penalty of taking away civil rights in order to protect public morality and the defense and security of the Republic.

The relation between the state and the individual's private sphere is probably the most sensitive relationship in a modern state. In that respect, the Constitution is the best protection of the individual's privacy and autonomy and a barrier to a totalitarian state, i.e., to totalitarianism. There are five articles in which the Proposed Version of the Draft of the New Constitution of the Republic of Croatia significantly violates the balance between the state and the individual and makes possible an intolerable usurpation of the sphere of the citizen's privacy.

One of the grounds on which Article 36 allows a police search of a private dwelling without court order is the arbitrary criterion of protecting the security of the Republic, morality, and health. By contrast with this position—which does not guarantee the citizen any protection and leaves it up to the police and court to decide whether to seek or issue a search warrant or not—the search of a private dwelling may in exceptional cases be permitted without a warrant only in explicitly enumerated cases of a threat to the life of an individual or to property of considerable extent. It is fundamentally important that those cases be envisaged and enumerated in advance, since this is all the citizen will have in his own defense when he confronts the police entering his dwelling.

Article 65 defines marriage and the family as the natural and moral foundation of society and places them under special protection of the Republic. Natural and moral foundations of society are categories outside the law, they are studied and defined by scholars, but they are not regulated by the Constitution. This article is in direct contradiction with Article 70, Paragraph 2, of this draft, which assigns equal rights and duties to children born in and out of wedlock. Article 65 is contrary to constructive population policy and interferes intolerably in the sphere of the organization of every individual's private life and must be deleted from the Constitution.

Article 66 emphasizes exclusively the employed mother as a parent who has the right to childbirth leave. This is a step backward from the level of civilization already reached concerning the freedom of parents, to the effect that the father and mother share childbirth leave and therefore also care for the infant. The use of childbirth leave should be regulated by a specific law and has no place in the Constitution.

Article 67 should be entirely deleted from the Constitution. Creation of circumstances for ensuring the right to life of every unborn child is subject to two interpretations:

1. this either postulates the obligation of the state to contribute to the higher economic, social, health, and institutional standard of the citizen and thereby encourages every woman at age 35, say, to give birth to as many as possible of her four potential unborn children in the remainder of her childbearing years. The state certainly has an obligation to contribute to the prosperity of the citizenry, but this does not increase the birth rate, as is evident from the example of the rich and highly developed countries of the world;

2. or it opens up the possibility for the state to intervene in the sphere of the individual's privacy, it prohibits contraception and abortion, and it thereby violates the basic human right to make decisions about the birth of one's own children. This kind of Romanianization of the state does not contribute to a higher birth rate either, but it is very effective, as is evident from that same Romanian example, in destroying the individual's privacy. This interpretation is also in direct contradiction to Article 69 of the draft of this Constitution, which guarantees the individual's right to decide freely about the birth of children.

In both these interpretations, then, this article is nonsensical.

Article 68, whereby the state defines in the Constitution the conditions for marriage, is an absurd intervention of the state in the sphere of the individual's privacy and integrity, should be deleted from the Constitution, and that relation should be regulated by appropriate laws.

In addition to these three groups of proposed constitutional provisions, in this draft there are two other articles in this section which are in dispute. It is not clear whether they represent a fundamental change of attitude and the institutional organization of society or have merely been awkwardly stated. They are as follows: Article 49, which seems to institute the military obligation for women (!) without any prior public discussion; Article 54, which seems to introduce the possibility of private ownership of bodies of water, streams, the sea, the seacoast, and other natural resources without any prior public discussion. For example, this would make it possible to sell off the Adriatic coast. In both cases, clarification is necessary, since a law that is unclear is worse than no law at all.

| Point in Dispute  | Constitutional Regulation<br>(proposed version of draft)  | Bourgeois Alternative   |
|---|---|---|
| Forced labor (Article 24)   | Forced labor does not include work of convicted persons and labor "in cases when there is a threat...."   | Forced labor of convicted persons is prohibited, and labor determined by conditions of martial law and regulated by law on martial law is not considered forced labor   |
| Public nature of judicial proceedings (Article 29)  | Public may be excluded from a trial both on grounds of morality and also for the protection of security and defense of the Republic                           | Only criteria there may be for excluding public are protection of military secrets, official secrets, or trade secrets and a motion of parties  |
| Possibility of self-incrimination in investigatory proceedings (Article 31)   | A person who has been accused or indicted does not have right to remain silent in investigatory or evidentiary proceeding                                     | Person who has been accused or charged has right to remain silent in investigatory proceedings and to refuse to testify in court if he feels that his own testimony would incriminate him. This provision is a constitutional guarantee against torture in judicial proceedings |
| Penalty of depriving civil rights in order to protect public morality and for defense and security of republic (Article 32) | It envisages punitive suspension of civil rights even on grounds of arbitrary criteria of protecting public morality and the defense and security of Republic | All nonnormative criteria and criteria subject to arbitrary interpretation are eliminated from criminal proceedings. Criminal proceedings are regulated by a specific Criminal Code   |

In this section of the Proposed Version of the Draft of the Constitution of the Republic of Croatia, basic human and civil liberties, rights, and duties are regulated in a total of 62 articles. There are 20 places here where the state is given the legal right to take those rights away from the individual and limit them on the basis of its own arbitrary decision, as follows:

- to protect the interests and security of the republic—nine times (Articles 17, 29, 32, 34, 36, 38, 40, 44, and 52);
- on grounds of public morality—eight times (Articles 17, 29, 32, 34, 36, 40, 44, and 45);
- on grounds of health—three times (Articles 17, 34, and 36). It is left to those who possess the instruments of state repression to interpret as they like when the interests and security of the Republic, public morality, and health are threatened and to suspend the basic liberties and rights of the citizen at their own discretion. Although no political power can consider itself eternal, it must write a constitution as though it will remain in effect forever. From that standpoint, the regulation of civil rights in this draft of the Constitution has more of a seasonal flavor.

### Croatian Poll on Popularity of Leaders

91BA0080A Zagreb *DANAS* in Serbo-Croatian  
30 Oct 90 pp 7-10

[Article by Dejan Jovic: "Stipe Mesic's Month"]

[Text] At the end of the first half-year of the new government in the Republic of Croatia, public opinion has shown signs of significant stabilization for the first time. Once uncertain and insufficiently predictable for many people who entered the electoral race, judging by their expectations, the political public is now becoming less and less similar to a set of individuals with randomly assembled positions that vary from day to day, and is more and more an institution that has its own regular characteristics and continuity, although still a young institution, of course.

The stabilization of public opinion has also been confirmed by the latest *DANAS* poll, which for the fifth time in a row (at the end of the month) indicates the attitude of the citizens of Croatia, represented by a representative sample of 1,000 respondents from 10 cities, toward politicians and political events in the Republic.

### Mesic, Tudjman, and Markovic

Stability is also shown by the relatively small shifts in attitudes toward the most prominent politicians in the new regime. This month Stipe Mesic, the new vice president of the Yugoslav Presidency, is at the top of the ladder; he was helped, of course, by the complicated situation surrounding his election in the Yugoslav Assembly. The public thus reacted infallibly, although by a quite small shift, to his prominence in the media, just as last month it gave first place to the Croatian president, under the influence of the media's portrayal of Tudjman's visit to the United States. Both Mesic and Tudjman finished October "ahead"—Tudjman added another 2 percent of respondents with favorable opinions of him to his previous balance, while Mesic gained 5 percent of new sympathizers. In this regard, however, it is interesting that now, for the first time, the Croatian president has shown a "loss" (of 1 percent) among Croats, while Mesic, the new Yugoslav vice president, "lost" 6 percent of the Yugoslavs.

| Event  | I support<br>(in percent) | I do not support<br>(in percent) |
|--|---------------------------|----------------------------------|
| Croatian leadership's visit to the U.S. and Canada         | 70                        | 15                               |
| Ceremonies at the opening of the monument to Ban Jelavic   | 65                        | 20                               |
| I. Bobetko's reaction to R. Tanjga's speech                | 34                        | 45                               |
| Tupurkovski's mission                                      | 31                        | 27                               |
| Occupation of the Slovene territorial defense headquarters | 12                        | 66                               |
| R. Tanjga's speech in the Croatian Assembly                | 8                         | 78                               |



The fact that Tudjman's visit to the United States made a specific contribution to his primacy over the others last month is also demonstrated by the findings obtained through this survey—70 percent of the citizens of Croatia have a positive view of the scope of the visits by the Republic leadership to the United States, while only 15 percent expressed themselves negatively. Although the results themselves would be considered in a "national" and "party" light, it could be said that that foreign policy action perhaps had an even more significant effect upon the internal situation in the Republic than it did in strengthening Croatia's position in the international community. The large number of respondents who had a favorable view of the ceremonies organized in Croatia in connection with the reestablishment of the monument to Ban Josip Jelavic, corresponded to Tudjman's high popularity on the list of personalities and on the ranking of events. Although one can hardly say that the enthusiasm of the respondents is similar to the attitude displayed toward that event by those present in Zagreb's central square, a sure majority (65 percent) nevertheless had a positive view of those events. That percentage was higher among Croats, 77 percent, while it is not surprising that only 14 percent of the Serbs and 29 percent of the Yugoslavs, and 21 percent of the LCC [League of Communists of Croatia]-Party of Democratic Changes [SDP] voters view those events favorably.

At any rate, that repetition of the determination of Croatian citizens' political position by their ethnic identity (although not as severe now as it was during the days of the greatest conflict in our political area) only confirms a certain stabilization of the political public in Croatia.

The consolidation of positions is also shown by Ante Markovic's repeated third place: an almost identical number of citizens had a favorable view of him during the last three months—72 percent in August, 71 percent in September, and 73 percent in October. Markovic is the only one who has any significant position among all three national groups. Although he has already been quite "undesirable" for several months in the media that significantly reflect public opinion in the Republic of Serbia, he is in third place among the Serbs in Croatia; only Raskovic and Milan Babic are ahead of him. Although he did not place as "high" among Croats (10 people are ahead of him), he is nevertheless viewed favorably by 69 percent of them. Markovic's party, however, which was just founded in Croatia a few days ago, cannot count on any major political success for the time being, but it is significant that now about 10 percent of the former LCC-Party of Democratic Changes voters have "gone over" to it. So far the Alliance of Reform Forces of Yugoslavia [SRSJ] has "stolen" more voters from the left than from anyone else.

In view of all this, it is possible that Markovic may become, in Croatia as well, a framework reaching from the left to the modern political center and nonunitarist Yugoslavism, especially since the left in Croatia has not

yet managed to emerge from the pronounced crisis that it has been facing since the elections.

The fact that this is the case is also demonstrated by the position of Ivica Racan on the list of politicians, as well as the results of the survey, according to which 46 percent of the strongest opposition party's former voters are faithful to it today. Although the toppling trend that has brought the Party of Democratic Changes to 40 percent of its former voters has now been halted (and a short-term rising trend began last month, which brought back 9 percent of the "renegades"), the electoral chances of Racan's party have stopped there for the time being. Of the former SDP voters, 21 percent "would rather not even go to the elections now," and another 7 percent would, but would not vote for any of the existing parties. It is thus obvious that that party has not completely "collected on" all the opportunities apparently opened to it by its participation in the protest on the occasion of the renaming of the Zagreb Square of the Victims of Fascism, when most residents of Zagreb, for the first time, were in agreement with the left-wing opposition. Admittedly, Racan now stands better than he did before, but not among those who constitute a significant part of his former electorate. The Croatian public does not perceive him as unlikable or undesirable—the percentage of those who have a negative view of him is small (23 percent overall, and only 13 percent "very negative"). The public is thus rather well-inclined toward Racan (a few days ago Racan took second place in a competition for the politician with the most sex appeal), but all that is not sufficient for a comeback by the reformed Communists.

The Communists, however, "did well," thanks to Sima Rajic. Any other politician from that party could hardly have stayed at the top of the ranking of politicians even a month after a noted speech (no matter how many of them). Rajic succeeded in doing so, and gained another 3 percentage points of confidence, and so it is possible that the assessment that his success is "short-lived" may not be realized, especially since Rajic, after the increasingly weaker position of Zeljko Mazar, has remained the only Croatian politician who can be a "liaison officer" with equal standing (but also equal difficulties) among all three of the larger ethnic groups. If any possible negotiations were conducted among moderates, and if extremists on both sides were bypassed, then Rajic would have an excellent position among the Serbian people, since even now he ranks fourth among that part of the population, after the two SDS [Serbian Democratic Party] party leaders and Ante Markovic.

#### Cicak and the Serbs

During the last two polls, there was an evident change in the public's attitude toward Ivan Zvonimir Cicak. While just two months ago he was one of the politicians the Serbs called "hawks," and was left without their votes, along with the rest of the former members of the Maspok [Mass Movement], things are now fundamentally different. With his political mediations and, more than



that, of course, with his harsher and harsher criticism of the ruling party (for example, in a television program broadcast on the day of the public opinion poll), Cicak has now ensured a favorable opinion among somewhat more than 40 percent of the Serbs in Croatia. Although he has not recovered all 8 percent of the votes that he lost last month, but only 5, Cicak is now faring better than before, managing to survive among the top 20 for all five months.

A certain change in the public's attitude has also been apparent with respect to two of the most prominent figures in the Republic government—Prime Minister Manolic and Minister of Internal Affairs Boljkovac. They are the only ones (along with Milenko Zagar, the HDZ [Croatian Democratic Community] chief secretary) who managed to "profit" significantly during the past month. That is not surprising, of course: Manolic, as the prime minister, could not avoid an increase in public attention, which he did not have as a member of the Republic Presidency (which he still is), or as a leader of the ruling party. There was a considerable decrease in the number of respondents who stated that they "did not know" him or did not have a position on him, from the former 45 to the present 19 percent. That "recognition" of the prime minister brought him mostly favorable views, although his popularity still cannot be compared with the evaluations obtained by his predecessor, Mesic. While he gained 12 percent new adherents among Croats, and somewhat fewer among Yugoslavs, he is surpassed on all the lists by both Zarko Domljan and Antun Vrdoljak, and in some cases (among Croats, by 1 percent) by Vladimir Veselica as well.

Josip Boljkovac, however, after the intervention of the special forces in Petrinja, "earned" slight favor from those who were previously "neutral" because of his previous negotiating meetings with Raskovic, and later, by "turning a deaf ear" to the war cries, he also held onto some people who opposed a repressive "march" to the troubled areas. His case, in fact, reflects the entire division of Croatian public opinion over the issue of whether the authorities acted correctly, too harshly, or too mildly with respect to the unrest that swept the Republic during October.

In contrast to Manolic and Boljkovac, who are now both "better-known" and somewhat more positively viewed than a month ago, Antun Vrdoljak's standing has failed to rise for the first time. There is thus no longer a single politician on the list who has shown an increase in his favorable rating for all five months. Since Drazen Budisa also "fell off" the list this time (because his percentage of "neutral" answers was among the four highest, along with Sulimanic, Pupovic, and Mikelic), none of the 33 politicians who have been on the list has shown a constant rise. Although Vrdoljak has now gained the support of the same portion of the sample polled (67 percent) as last month, it seems that the opening of the soccer match between Croatia and the United States was not enough to bring him out of the shadow of President Tudjman, who was present. In fact, the vice president

has always been more popular when the public felt more strongly that he was playing the role of first among the vice presidents, which was more apparent during the president's trip outside the country. Furthermore, it is not insignificant that Vrdoljak abruptly lost a large number of Yugoslavs who favored him (almost half of last month's 30 percent).

#### Coalition Is Not Yet Dead

Both Savka Dabcevic-Kucar and Vlado Gotovac, the former leaders of the Coalition of National Agreement [KNS], are in the "positive zeroes" this month. Analysis of the public opinion poll's results shows that the Croatian People's Party (of which Savka Dabcevic-Kucar is president) has so far managed to attract about 11 percent of the former KNS voters, but in this regard, one should not neglect the fact that 66 percent of them even today would rather vote for the Coalition than for any party whatsoever. The shifts to the populists from the HDZ or the SDP are (so far) almost negligible, and so one should not be surprised that the party's president also placed around the middle of the ranking. Although Savka Dabcevic-Kucar is viewed favorably by 70 percent of Croats, a better position is naturally prevented partly by the distrust (or at least reservations) that the Serbian part of the population is expressing toward her (only 19 percent of the Serbs have a positive attitude, but as many as 40 percent chose "I do not have a position").

Vlado Gotovac, however, showed a positive result again, since he maintained himself among the 20, although he is neither a party president nor a government official, and Cicak has taken over his position as an enfant terrible outside the Parliament.

Two parliamentary officials, Zarko Domljan and Vladimir Seks, have now shown a major gain in positive points, and the Assembly president managed to return to his old position among the "quarter" at the top, while the vice president will probably have to be patient until the discussions on the Croatian Constitution.

As far as the Assembly itself is concerned, the DANAS survey team asked the citizens polled to take a position on the incident in which the main participants were Radoslav Tanjga (SDS) and Ivan Bobetko (HDZ). Tanjga's speech was supported by 8 percent of the respondents (33 percent among Serbs and only a few other respondents), and Bobetko's throwing the bag at him was supported by 34 percent; 45 percent of the respondents were clearly opposed to this act, while the HDZ members supported it by a majority of 68 percent (their voters are 58 percent). It is interesting that a third of the respondents agreed with Bobetko's action, and an equal number of them recommended that the authorities "react more decisively to the unrest."

#### The Return of Vladimir Veselica

It is very likely that the Assembly speeches by Vladimir Veselica were the reason for his return to the fifth position, which he lost while the internal conflict within

the Croatian Democratic Party was "breaking through" to the public. Whereas last month, under the influence of those events, Veselica was treated more as an advocate of moderation and a realistic approach to political crises, his proposal to the Assembly that it proclaim the Republic's sovereignty and declare that Republic laws took precedence over federal ones brought him back the votes of the "radicals." With his "hot and cold" tactic, Veselica remained in a position that is far above his party's present capabilities.

In contrast to this, Miljenko Zagar did worse than could have been expected for the chief secretary of the party in power. Although he made significant progress between last month's "discrediting" and his present 14th position, Zagar is obviously the type of politician who is more of a "gray eminence" or "bureaucrat" than a front man and spokesman.

Sima Djodan's case is the opposite. Although it was only during the great political crisis (in August) that he had the same percentage of supporters as now (47 percent), Djodan cannot be "unstuck" from 17th place, because one can almost not find any Serb or Yugoslav who would view him favorably. Furthermore, he is in 15th place on the ranking compiled solely from the votes of Croats, and so it is not realistic to expect that by itself, his political option could have any more significant influence today.

While previously it happened regularly once a month that there were several days of crisis followed by several days of relaxation, last month the culmination happened twice: first of all with respect to Petrinja, and again at the end of the month because of Mesic's election. Furthermore, the problems in handling those disturbances have now become an everyday and continuing phenomenon.

That acceleration of the political cycle of "tension-relaxation" and its double reversal last month influenced public opinion, so that it followed events with less passion, already accustomed to a "happy ending" and the passing of the tension, but the polarization still exists. The decision by the SFRY Presidency that Vasil Tupurkovski would travel to Croatia and establish contacts with both sides in the dispute was assessed differently—27 percent do not support it, 31 percent support it, and 43 percent do not have an opinion. Serbs accepted it well, and SDP voters and Yugoslavs both have a positive attitude as well.

If such a significance dispersion of public opinion into three groups with respect to the SFRY Presidency's peace action is already being expressed, then the real division will only be determined by analyzing the answers to three questions: did the Croatian authorities act too extravagantly, should new elections be organized, and are you satisfied by how the Croatian authorities reacted to the unrest in the republic?

An analysis of Croatian citizens' position on this will be published in the next issue of DANAS.

| Politician | Positive (in percent) | Difference from last month (in percent) | Negative (in percent) | No opinion (in percent) |
|------------|-----------------------|---|-----------------------|-------------------------|
| Mesic      | 84                    | + 5                                     | 10                    | 6                       |
| Tudjman    | 84                    | + 2                                     | 11                    | 5                       |
| Markovic   | 73                    | + 2                                     | 17                    | 11                      |
| Domljan    | 70                    | + 7                                     | 14                    | 16                      |
| Veselica   | 68                    | + 5                                     | 16                    | 16                      |
| Rajic      | 68                    | + 3                                     | 16                    | 16                      |
| Vrdoljak   | 67                    | N/A                                     | 18                    | 15                      |
| Manolic    | 66                    | + 12                                    | 15                    | 19                      |
| Seks       | 63                    | + 5                                     | 23                    | 14                      |
| Racan      | 62                    | + 4                                     | 23                    | 16                      |
| Bojkovac   | 61                    | + 9                                     | 18                    | 21                      |
| Dabcevic   | 60                    | N/A                                     | 16                    | 24                      |
| Gotovac    | 55                    | N/A                                     | 14                    | 31                      |
| Zagar      | 53                    | + 9                                     | 15                    | 32                      |
| Cicak      | 52                    | + 6                                     | 18                    | 30                      |
| Mazar      | 50                    | + 3                                     | 18                    | 32                      |
| Djodan     | 47                    | + 4                                     | 33                    | 20                      |
| Jurlina    | 31                    | - 2                                     | 41                    | 28                      |
| Raskovic   | 15                    | + 3                                     | 75                    | 10                      |
| Babic      | 12                    | - 2                                     | 75                    | 13                      |

[Box, p. 10]

#### Those We Polled

In this issue we are publishing the results of the fifth public opinion survey, which DANAS's research team conducted with a representative sample of 1,000 adult residents of Croatia, asking them about their attitude toward politicians and political events in the Republic since the elections. This sole longitudinal (as published) survey of the Croatian political public makes it possible to compare the mood of public opinion from month to month, since the sample is organized in such a way that it always contains the same proportion of individual groups of respondents, and its composition is identical to the overall structure of the adult population of Croatia.

The sample contained 76.3 percent Croats, 11.6 percent Serbs, 8.6 percent Yugoslavs, and 3.5 percent respondents of other nationalities or ones who did not want to specify a nationality. Among the respondents, 81 percent do not belong to any political party, 11 percent stated their membership in the HDZ, 5 percent are members of the SDP, and 1 percent are members of the SDS, while 3 percent of the other respondents mentioned that they were members of other political parties (the Croatian Democratic Party, the Croatian Peasants' Party, the Croatian Party for Justice, the Croatian Christian Democratic Party, and even the KNS). Although there are no verified records of the membership of the political parties, and probably some respondents consider themselves party members even though they do not fulfill all party obligations or are not registered, the repetition of

this structure of respondents several times in our surveys indicates the reality of such a structure among our public.

It is worth noting that the 19 percent of the respondents who mention that they belong to a political party is considerably higher than the proportion of citizens involved in parties in the countries with "stable democracy," and this may be an indication of the establishment of political parties of a different type than the one dominant in those systems. In this regard, it is interesting that today the HDZ has apparently reached the same number of members that the Croatian LC [League of Communists] had during the time of its full strength.

The composition of the sample was also chosen in accordance with the regional distribution of the population, on the basis of the 1981 census. Among the respondents, 19 percent live in Zagreb, 7 percent in the area of the former Zagreb ZO [expansion unknown], 8 percent in the former Bjelovar ZO, 3 percent in the Karlovac region, 19 percent in Slavonija, 32 percent in the Istra-Kvarner region, 4 percent in the Sisak-Banja region, 19 percent in Dalmatia, 6 percent in Hrvatsko Zagorje, and 3 percent in the area of Lika and the Knin region.

The survey was conducted by personal polling (by individual and group) with a written questionnaire. It would have been impossible in such a short period of time (between 19 and 23 October 1990) without marked willingness to cooperate on the part of many enterprises, schools, and institutes in Croatia.

The DANAS survey team, this time as well, included Ines Lovric, Gordana Skaljic, Milica Sundov, Vidmir Raic, Gordan Bajtek, and Dejan Jovic.

### Scenario for Creation of 'Western Serbia' Detailed

91BA0081A Zagreb DANAS in Serbo-Croatian  
30 Oct 90 pp 26-27

[Article by Milan Jajcinovic: "Creation of a West Serbia"]

[Text] Dr. Jovan Raskovic is touring America; Dr. Dusan Zelembaba, Bosnia; Dr. Radovan Karadzic, Bosnia-Herzegovina. Only Dr. Milan Babic is touring Kninska Krajina and Lika. Raskovic is on an "apostolic"-political mission. Zelembaba's mission is more military than political. Karadzic has set himself to do what the other three have already done in Croatia. He has established the Serbian National Council of Bosanska Krajina and recently Herzegovina as well. Babic, one of the founders of the Serbian National Council in Croatia, has been in Gracac, where the Executive Board of the Serbian Democratic Party [SDS] said that the Serbs in Croatia are actually not satisfied with any kind of autonomy—that they want a Serbian state, a statement that was concealed although people knew about it.

The aim of a Serbian state has long been concealed behind one screen after another. First, the "Community of Opstinas of Northern Dalmatia and Lika," then "cultural autonomy," and then "if Croatia hopes for confederation, then political autonomy." But that was eyewash. Everything is actually subordinated to a single goal: creation of a Great Serbia or at least a unitaristic Yugoslavia. The Serbian Democratic Party has intruded itself as an unavoidable player in this game of political poker on which Yugoslavia's destiny depends. Today, that party is the representative of all Serbs in Croatia and Bosnia-Herzegovina, the sole interpreter of their "true ethnic interest." At one point, the party interpreted that interest to be cultural, then political, and the present interpretation is in terms of a state. By setting conditions as to federation or confederation which it knew the Croatian Government would not meet, the meeting in Gracac devised an alibi for what it has actually intended for a long time now.

### Planned Expansion

The agreement in the Gracac Opstina hall raised the demands of the SDS one step higher. The Gracac demands are a logical consequence of the political radicalization which has been taking place since the very establishment of the SDS. Always demand as much as possible and keep going further—that is the motto! The leaders of the SDS are no longer satisfied with cultural autonomy. What do we want with cultural autonomy! Cultural autonomy is no longer associated with a federation and political autonomy with a confederation. It was decided in Gracac that if Croatia consents to a federal system, that even then "the Serbian people has a legitimate right to secure protection of its identity by establishing territorial autonomy in the ethnic and historical areas of the Serbian nationality in which it represents the majority of the population." What is included in the "ethnic and historical areas of the Serbian nationality"? "These are parts of the areas of northern Dalmatia, Lika, Kordun, Banija, western Slavonia and Baranja, which represent the historical areas of Vojna Krajina and Vojvodina."

So, the "community of opstinas" and "cultural autonomy" have in just a few months been transformed into a demand for political autonomy, that is, recognition of the right to secede from Croatia. The results of the phantom referendum on autonomy—as we figured ahead of time—are being used as necessary. Indeed, even for division from the rest of Croatia. That is, if the official Croatian position is confederation, then "the autonomy which the Serbian people in Croatia voted for should be interpreted as the Serbian peoples right to self-determination." This means, after all, that autonomy is actually a vote for federation and remaining in Yugoslavia, while confederation almost automatically raises the problem of division and borders. And that means that the Serbs would go back from Croatia (Bosnia-Herzegovina) to the protection of Serbia—"the Serbian people living today within the administrative borders of the Republic of Croatia would still have the



inalienable right to choose to remain and to be in the common state to which the majority of Serbian people living in the present Republic of Serbia also belongs, and by no means does it signify automatic adoption or transition to the status of an ethnic minority in some Independent State of Croatia whose borders would coincide with the present internal Republic borders."

While Jovan Raskovic is more or less sealing his lips and maintaining silence in America, another psychiatrist of the Serbian Democratic Party, Radovan Karadzic, has been talking to Slobodan Milosevic, has been establishing the National Council of the SDS in Banja Luka, and then the Serbian National Council for Hercegovina in Trebinje. After Serbia and establishment of the Serbian National Council for Croatia, it was only a matter of days before an exact copy of it would be created in western Bosnia as well. The rebellious unrest in Kninska Krajina, Banija, and Lika and the upcoming elections in Bosnia-Hercegovina only speeded up the meeting in Banja Luka. But even aside from it, establishment of the Serbian National Council for Bosanska Krajina is a part of the planned westward Serbian expansion.

On the pretext of being threatened by the new government in Croatia, and in Bosnia by a possible dominance of the majority (as a consequence of a possible coalition of the SDA [Democratic Action Party] and the HDZ [Croatian Democratic Community]), the Serbian geopolitical experts have set about a new carving up of geography. The aim is that at a suitable political moment the two Serbian National Councils will proclaim secession from Croatia and Bosnia and merge with one another, i.e., the creation of a new Serbian state, which would then try to join Serbia. This is no longer being concealed. Dusan Zelembaba spoke about this intention in Banja Luka when he said that the Serbs "have the greatest right" in this part of the Balkans to create a "unified Serbian state," that he has nothing against that "joint and unified Serbian state" being called Yugoslavia, but he does not accept the creation of "some kind of eastern and some kind of western Serbia."

In Trebinje, Vladimir Srebrov, until recently the leader of the reincarnated Young Bosnia, and now vice president of Draskovic's SPO [Serbian Renewal Movement] for Bosnia-Hercegovina, was thinking the same thoughts. He said to those gathered there that the purpose of the SNV [Serbian National Council] for Hercegovina is in case a "confederation on the Austro-Hungarian model" is created (Slovenia, Croatia, and Bosnia-Hercegovina). "In this case," Srebrov said, "eastern Hercegovina will proclaim its autonomy, and then its merger with Montenegro. The Serbian National Council of Bosanska Krajina will also proclaim its autonomy and will merge with Kninska Krajina, creating a so-called national Serbian wall against the Croats and Muslims on both sides of what are today the Republic boundaries." The message of the meeting was that the Serbs from Bosnia-Hercegovina, and the Republic, and regions of Croatia in

which they have numerical superiority, do not want to remain within "confederal ghettos," but want to create their own national state.

#### The Krajina as a Wedge

Creation of a "Serbian national wall" is not just idle talk. In Hercegovina, it would be easy to do. That is, throughout all of eastern Hercegovina Serbs are the absolute majority (Bileca, Gacko, Ljubinje, Nevesinje, and Trebinje). What is more, eastern Hercegovina adjoins Montenegro, and should the Serbian National Council for Hercegovina proclaim the autonomy of eastern Hercegovina, then, if it goes still further, it would merge with Montenegro without problems and ultimately with Serbia as well. In the western part of Bosnia, it is not so simple as that. The Serbs in western Bosnia have an absolute (and in some places relative) majority: in the opstinas of Bosanska Grahovo (85.7 percent), Titov Drvar (88.4), Bosanski Petrovac (68), Banja Luka (50.9), Bosanska Dubica (66.3), Bosanska Gradiska (56.5), Bosanski Novi (59.6), Celinac (86.3), Glamoc (78.7), Kljuc (51.9), Laktasi (78.2), Mrkonjic-Grad (78.7), Prnjavor (70.9), Skender Vakuf (69.5), Srbac (85.8), and Sipovo (79.5).

In Croatia, a referendum has already been conducted among the Serbs. Now it should be expected in Bosnia as well. And then on that basis (and perhaps even without it) Serbian autonomy would be proclaimed in the western part of Bosnia. It is then most likely that the two Serbian National Councils—in Croatia and Bosnia—would proclaim unification of the Croatian and Bosnian territories with Serbian ethnic predominance. Creation of the western Serbian state (which afterward would join Serbia) is not an idea that just sprang up recently. It has gone through very minute strategic planning to the tiniest detail. The Agrokomerc affair had a special place within the framework of that plan. If one looks at the ethnic map of Bosanska Krajina, then it is clear why it was necessary to wake up the krajina and unlimber it in every way.

The opstinas of Velika Kladusa (88.4 percent Muslim), Bihac (61), Cazin (97), and Bosanska Krupa (67.7), Muslim dominance in the population, and Sanski Most, which has a relative Muslim majority, were driven like a wedge into the Serbian ethnic space and actually truncated it. In order to destroy or at least neutralize that fact, the krajina had to be beheaded by bringing down Hamdija Pozderac, chairman of the Commission for Amending the SFRY Constitution, and the economy of the krajina utterly torn apart by using the bills of exchange to demolish Agrokomerc. The imprisonment of Fikret Abdic meant utter removal of its political head. This was thought to be the safest way of destroying the Muslim numerical superiority and of placing this extremely important geopolitical area under control. That is, having the krajina would join together the space where creation of the second Serbian state is planned. One can see how important the krajina is here from the fact that even on the Croatian side there is no link

between the "Serbian" opstinas in Lika and Dalmatia and those in Banija and Kordun. Ethnic compactness is interrupted by Slunj (which has a Croat majority), and it joins Kladusa and Cazin, and these opstinas in turn adjoin Krupa and Sanski Most, cutting into the very heart of the imagined western Serbia.

### Military Formations

Kninska Krajina has been "defending itself" even with firearms for months now. Bosanska Krajina is ready to follow its formula as well. The idea is that afterward the imagined Serbian state would be created by force of arms. The Dinaric Detachment has already been formed in Kninska Krajina, and the National Resistance Council is getting more and more vocal; it is said to have under its control all Serbs "who have a gun" and "who voted for Serbian autonomy." Supposedly, national resistance headquarters organized on military principles exist in all the Serbian villages in Bukovica and Zagora, Kordun, Banija, Lika, and Bosanska Krajina. Even the National Resistance Council itself, as the leading military-political body, is based on the principles of "vertical and horizontal subordination." "Every man who wants to help," "who is esteemed and important in the Serbian national community" belongs to the council, that illegal and mysterious organization of transborder Serbs, an unknown member of its leadership told BORBA.

The National Resistance Council is a "nonparty and a nonparty organization." That is, an ethnic organization, regardless of all the differences that exist among Serbs. Its creation is explained by the fear and alleged defense against the repetition of 1941. But its purpose is actually through consistent application of the conception of an armed populace to back up the vote for secession with military force as well. That is the reason for the accumulation of so many weapons in a part of the area of what once was Vojna Krajina [translation: "military district"]. At that time, it actually never did have weapons, but now it has more than ever. The man who spoke with BORBA says that the council purchases them in various ways (but he denies that they stole them from freight cars in the Knin station), and members of the HDZ are one source ("there are those intelligent enough to sell us weapons"), and that they have penetrated the "Shqipetar-Croatian arms channels." The mysterious interviewee made an interesting statement: "I cannot say that we have tanks, but do not forget, Tudjman does not have them either. In any case, there are more of us than there are of Tudjman's people in his coalition. If you want to know, we also have our people in his ranks."

Neither the National Resistance Council nor the Dinaric Detachment concealed their military profile. For now, it is concealed behind "defense." But something else is obviously involved here: "arguing" in support of secession with military force. In a recent conversation in Knin with a delegation from the Federal Chamber of the SFRY Assembly, Dr. Dusan Zelembaba, the angry political fighter, announced a fight against the "present Ustasha government" and "Independent State of

Croatia" with methods now tried and true—"the methods of the Irish IRA and the Basque movement ETA [Basque Fatherland and Liberty Group]." There is evidence that this is not mere babbling not only in the assertion we have mentioned by BORBA's unknown interviewee, but also in the earlier story, also in the newspapers, told by a member of the Military Council of the National Resistance Council to the effect that he had under his command as many men "as the entire National Liberation Army of Croatia on the eve of Italy's capitulation." All we have said merely reinforces the statement by Vinko Stupar, president of the Serbian Democratic Party for Bosanska Krajina: "Stories are going around Bosnia that voluntary detachments are being formed after the model established and elaborated in numerous details in Kninska Krajina. This is by no means false support or some kind of blackmail. These are 800 men ready to move on the instant. You can take my word for it. However, I must say that the SDS has nothing to do with this. They are led by people outside the party. There are two retired colonels at the head of those detachments."

In view of the number of police stations which have been attacked and the number of weapons stolen at that time, we should not be surprised at the explanation of the member of the Military Council concerning the arming of the "provincial army" (perhaps we should omit the quotes here). These are, as they say, weapons "from the reserves, weapons which have been illegally imported, personal weapons with and without licenses, target rifles, hunting rifles...." The potential soldiers of the potential Srpska Krajina [Serbian District] are armed—and it is not very likely that this is mere boasting—"like any guerrilla army." Perhaps there is evidence of this in a "war correspondent's report" concerning a day "on the Bukovica Plateau near Knin." The center for issuing alerts uses a radio to inform the guards and observers "in position" that they should expect helicopters to fly over, that a military aircraft is flying over carrying a patient and ordering that it be allowed to pass. The astounded "war correspondent" asked those he talked with whether they really had weapons that could "bring down" an aircraft, to which "those on duty only laughed."

### Urgently Necessary Dialogue

At no time since the war have arms piled up in Croatia as they have today. They are within arm's reach of many people who are blind, limited, and insane. The only thing there is more of than arms is distrust. Visiting the regions affected by the unrest and those with a potential for unrest, the League of Social Democrats of Zagreb first attempted to moderate this ever broader interethnic rejection. Perhaps Dr. Milorad Pupovac and his guests on the goodwill mission—Dr. Zarko Puhovski, Ivan Zvonimir Cicak, and Dr. Slobodan Lang—were not able to reduce the distrust that exists very much (since it is assumed that those coming to hear them were the sensible ones), but they at least demonstrated that discussion is possible. The League of Social Democrats, faithful to its enlightenment principle of being a "teacher



of democracy" was a pioneer of an effort at mediation and peace which others also undertook later on. The last move in this direction was the meeting in Zagreb between representatives of the HDZ and SDS and the first meeting of a group of scientists (Dr. Mirjana Kasapovic, Dr. Jovan Bamburac, Dr. Andjelko Milardovic, Dr. Nedeljko Mihanovic, Dr. Stanko Korac, Dr. Jovan Miric, Dr. Radovan Pavic, Dr. Dragutin Pavlicevic, Dr. Drago Roksandic, Dr. Mirko Valentic, Dr. Budislav Vukas, Dr. Zvonko Lerotic, Dr. Djuro Zatezalo, and Simo Rajic), which was supposed to prepare a draft for the cultural autonomy of Serbs in Croatia.

Establishment of a group which was supposed to conceptualize Serbian cultural autonomy can also be interpreted as a response to the Gracac proclamation of the Executive Board of the SDS. The party which represents itself as the interpreter of the interests of all Serbs in Croatia puts political autonomy at the lower limit of its demands, while the official government again offers it cultural autonomy! How is this difference to be eliminated, this discrepancy removed? The resolution of that conflict will depend above all on whether the hawks or the doves prevail in the SDS. It seems the doves would be satisfied with cultural autonomy, while the hawks would not be satisfied even with political autonomy! In order to negotiate and for the negotiations to have some effect, they will have to get beyond this "who is going to do what for whom," i.e., reduce the list of conditions which both sides obviously have. The only condition should be that the Serbs in Croatia recognize the new government legitimately elected in free elections and that the Croatian Government recognize representatives of the Serbs whom they authorize to act as their agents in the negotiations. There are fanatics who do not want negotiations on both the Serbian and Croatian sides. It is to be hoped that both are in the minority. If they are, then there will be negotiations. If not, there could easily be war.

#### **Arbitrary Personnel Changes in Croatian Judiciary Condemned**

91BA0077A Zagreb DANAS in Serbo-Croatian  
23 Oct 90 pp 26-27

[Article by Zorica Nikolic: "Independence Without Protection"—first paragraph is DANAS introduction]

[Text] Have the extensive personnel changes in the Croatian judiciary been carried out so that the people can protect themselves, or so that an adversary can be finished off.

The extensive personnel changes in the Croatian judiciary are not a small thing, if for no other reason than because of the fact that 280 people, mainly leading officials in the judiciary, are not a small number. Rather, not those replaced, but those who will replace them are the reason for concern. Moreover, 14 presidents of district courts, 87 presidents of township courts, the presidents of the Economic Court of Croatia and the Administrative Court of Croatia, seven presidents of

district economic courts, 13 district prosecutors and 58 township public prosecutors, as first-class administrators and experts and professionals, will somehow find places all right. That's the way it is; their career in the judiciary, the truth about which they learned from awkwardly phrased news reports on Croatian radio and television, is, judging from everything, finished.

However, the discussion on the personnel changes, especially about the way everything was carried out, is not over. Actually, there wasn't any discussion. But an unofficial discussion, although neither superfluous nor unsubstantiated, after the fact of the changes has already begun, but it would seem that there's no sense in switching on a red light after the train has already passed.

But it is as if the proposer of the decisions on dismissal counted on just this: First, he hid his intentions, like a snake lurks in the grass, until the last minute, even from those who were most affected, and representatives of the Social-Political Council received the proposals for the decisions right at the last meeting of the Assembly. Moreover, the president of the Commissions for Elections and Appointments, Ivan Milas, announced in advance that "there is information that great opposition is forming," explaining that he considered that there was no time to wait, because the problem of the "changes" would break open as soon as it got out to the public, and said that "its urgency was inevitable because of the chaos that discussion would bring about." To complete the picture, we mention that the presiding individual, Ivica Vekic, also foresaw that "after this, and after the decision of this council, there will be the most ill-tempered interpretations of these decisions of ours," and that in spite of all these predictions, the proposer had guessed the "opinions of most or all of the representatives" in advance! In addition, in the explanation of the Proposal for Passing a Law on Changes in and Amendments to the Law on Regular Courts—which, with the signature of the President of the Government, Josip Manolic, was forwarded on 7 September to the president of the Assembly of the Republic of Croatia—a reference was also prophetically made to "the certainty of the majority of the Assembly that a specific number, or by no means an insignificant number of those responsible for judicial functions have been chosen..."

Therefore, all this was foreseen—great opposition, chaos, and the most ill-tempered interpretations, and the certainty of the Assembly majority. But is it possible that no one foresaw—and at least for that, some special foresight is not necessary—what the price of the assessment of the judicial profession according to the logic of personnel changes in the government would be, especially a democratically elected one, and how much these radical changes, without precedent in today's world, would contribute to the desired, proclaimed, and promised independence of the judiciary?!

"We got a new product—newly elected executors of judicial functions," briefly concludes the well-known Zagreb lawyer Silvije Degen, one of the few who agree to

speak out on this unpleasant theme. Now, he says, 2,000 judges in Croatia are asking when their turn will come, since the law passed on 5 October, which regulates the conduct of judges as well as their election and dismissal, does not even guarantee a minimal right that exists in all legal systems of the world, and that is the right to appeal. A judge can now be dismissed by the "eraser criterion" without the right to appeal, based on a decision by just one man—the minister of justice. But the level of democracy achieved is not measured by the number of instruments that have the power to control citizens, but just the reverse, by the number of opportunities, i.e., legally prescribed means that citizens have at their disposal to control government. This means that the judiciary, Degen explains, has become a state judiciary, that discretionary judgement is stronger, but the independence of the judiciary is weaker, and it is known that the judiciary is a pillar of society. He says, "As a man who is a humanist and lawyer by vocation, I have always claimed that the individual rights of a person are stronger than the rights of a group. Among other things, the new government is prescribing that it is inconsistent for a judge to be married to a lawyer, or vice versa, and public prosecutors are included, so we have 50 married couples in Zagreb who have now become unqualified! Judges are becoming second-class citizens; the new law proclaims such people to be at least suspicious because of their family connections. Therefore, we have been given newly specified qualifications tied to the marital status of judges, to the extent that a possible extramarital connection will not be deemed inconsistent when fitness for performing judicial functions is considered, while a marital connection, regardless of the procedure for exclusions from trials, can be cause for loss of the right to work."

That the fitness of judges has become tied with the passing of time to the one-party system, which every four years reviewed whether the judge had performed in the name of the people and the party in power, is not debatable. Everyone knows of numerous laws that because of their vagueness made possible legal uncertainty and political corruption that reigned particularly in political and nonpolitical matters. But does the law passed on 5 October in a brief procedure give us a guarantee that the new judiciary will act independently? On the contrary, don't proposers of laws, and the new government, with its proposal, confirm the doubt and the fear of revanchism and, moreover, of a still stronger effect on the judiciary?

Degen considers that the new criteria that are replacing the social-political category of fitness and according to which judges are elected based on "human, work, civil, and moral virtues," are being reduced to criteria determined under current law—only by the minister of justice.

#### Suppressed Information

In the preelection campaign, all parties swore by a legal state and promised to respect strictly the right of the

people to a three-way division of power among the executive, judicial, and legislative branches. It is already apparent, however, that the newly elected minister for justice is also becoming involved in administration. And how he has also been given under the current law on regular courts the opportunity to decide on the fate of judges without the right of appeal, makes it perfectly clear that precisely that which many feared has come to pass: revanchism, illegality, stronger discretionary judgement.

It was difficult for us to gain access to the minister named. The truth is that he presented to the public a report of his ministry, which he signed four days earlier upon completion of a two-day Assembly marathon, meekly describing all agreements, ambiguities, and dilemmas in connection with the change in judicial personnel as "certain misunderstandings," created "in the opinion of this minister in the writings of daily newspapers..." "The report on the decisions in question" (on the dismissal of incumbents in judiciary positions in Croatia), forwarded to the Ministry of Information, was intended for the Croatian News Agency, but the latter did not release it—and the minister, he told us, doesn't know why. However, the minister did not mention to us that this same report was also cited in the special putative conference for newspaper reporters, as well as in our conversation. We say putative because after the assembly meeting, at the officially registered request of newspaper reporters from TANJUG, VECERNJI LIST, SLOBODNA DALMACIJA, VJESNIK, and HRVATSKI RADIO, and after the instructions of the assembly correspondents, he appeared before them with the comment about how he is not satisfied with the newspaper reporting and about how there is nothing to say about the massive and rapid changes in judicial personnel except what was said in the mentioned report. Disappointed reporters working together, struck above all by the uncollegiality (why does such an interpretation belong only to the Croatian News Agency?), wrote several lines of objection and sent them as an official protest to the Ministry of Information.

In haste, instead of an answer to our questions, the minister is also offering us a report. Unfortunately, there is nothing new in it beyond what has already been written in the explanation of the proposed Law on Regular Courts and the Dismissal of Judges forwarded to the Croatian News Agency.

We remind Prof. Dr. Branko Babac how, not long ago, it was reported in the press that the disquiet of incumbents in judicial posts is felt, and that the position of the judges will not be brought into question in any way except for reasons specified by law, and especially not because of national and political beliefs. But it seems to us that behind the veil of that promise, some other idea is nevertheless meant. He doesn't agree with us. He replies with another question: Should we have appointed and dismissed individually? Is it not better, and more correct, that we decided to investigate the whole judicial

system? This way, he says, we gave everyone the opportunity to compete anew if they consider that there are conditions for the positions they held. He says that people actually are protected by the massive linear changes and that no finger is being pointed at anyone separately, because, after all, the personnel replaced did not create the situation that cast doubt on them. In this situation, the blemish was removed by means of the changes from those who were themselves sacrifices of the old regime. In pauses between his duties, because of which three prearranged appointments with us in a row were broken, we succeed in asking the minister of justice only about his forecast of the opinions of the Assembly majority. Disinterestedly, he answers briefly: "There are no public debates in a parliamentary democracy! The minister and other proposers must guess how the parliamentary majority speaks. Well, they'll either guess or resign."

"If this law is passed under a regular procedure, unavoidable harmful consequences for the Republic could result"; it's stated in the explanation of the proposed new law on regular courts.

No one took into account the harm from the replacement of one moral-political qualification with another. More exactly, some representatives warned of this in a discussion; the comment was also heard that the proposal for all court presidents, prosecutors, and lawyers to be dismissed from duty is more appropriate in some authoritarian regimes than in a democracy, and that everything smells of purges, but that memories of earlier times really prevailed. After all, Ivan Milas explained everything clearly and entirely sincerely with a remark about the "well-known moral-political qualification" after which no dilemmas of any sort still remain: "As long as we have some enemy before us, he must be struck, we must beat him. We must even overcome an occasional law in order to achieve this more easily," and the applause that the president of the Commission for Elections and Appointments received is proof of how the opinion of the assembly majority was clearly well guessed!

At the same time, as proof that criteria in effect in all civilized countries were finally being taken into account, Milas referred to mathematics in addition to "psychology." Proclaiming the decision on dismissals the "first sign that we are also taking numbers into account," he also explained the introduction, "of which there has been none so far, since other countries have spoiled it. I am speaking about the factor of the Croatian citizen." Milas courageously admitted: "Unfortunately, I was sentenced because of so-called recounting, but I see that history has proven me right. This is absolutely necessary, and without numbers there are no correct indicators."

The replacement of 280 people is indeed a good indicator. Of what, well, that's another subject. Namely, except for the "guessed-at" assembly majority, not all think the same about it.

But this is clearly less important. The new times are looking for new people. And however convincing (and logical) it sounds that the new criteria for expertise are a general civil and moral qualification, many cannot escape the impression that something else is nevertheless in question. "If we have changed the Croatian Assembly, if we have changed the government, if we have changed the ministries, if we have received a new government organization, if we have changed relationships and moved into the future, a democratic one, a parliamentary one, then we cannot abandon relics of the past that were bastions primarily not of the protection of legality, but of the misuse of law for the benefit of the ruling, formerly existing party-police and other structures," were the words that representative Ante Klaric directed to the president and the representatives.

In fact, everything that Klaric cited has changed. Does it still remain to change the people, if they do not listen to this new parliamentary government?

Namely, with the adoption of the proposed extensive personnel changes in the Croatian judiciary, along with all criteria by which it is justified, isn't the criterion also indirectly adopted whereby the organization and structure of judicial organs continue to adapt to the needs of the new social moment and the new government! It would be interesting to foresee what the new judges would say to that if it is established some day that even they are not appointed for life.

Names or numbers are not connected with a legal state, no matter which one in the world, but with legality, justice, and legal security. However, rights and interests are two concepts that do not always go together.

[Box, p. 27]

#### Milojko Vuckovic: The Law Has Harmed the Judiciary

"The Laws on Changes in and Amendments to the Laws on Regular Courts, on the Public Prosecutor's Office, and on the Legal Profession and the Legal Aid Service were passed," Milojko Vuckovic emphasizes to us right after the beginning of our talk, "without any consultation with me, informing me, or any contact with me as a member of the Presidency of the Republic of Croatia responsible for the judiciary." He adds: "I am absolutely against the passage of such laws, which do not only damage the judiciary of Croatia, but do much broader damage than that." He mentions that earlier, when the "problem of personnel changes" in the name of peace (Ivan Milas: "The reason that we did not go to the public earlier is precisely for the peace that we hoped to preserve") was removed from the agenda, he already considered that the problem of the leading judicial structure must be resolved in a better and more effective manner. Vuckovic agrees with our comment that there is practically no more effective method than the one used, "but only if we are talking about negative effectiveness." He explains how he already represented the viewpoint several times that the judiciary must be systematically



transformed, but that the personnel problem in the judiciary is of entirely secondary importance compared to basic changes in the system. This is true, he says, because the great majority of those responsible for judicial functions are personnel who have performed their difficult task honestly, capably, and in a devoted manner, a task that has continuously been poorly paid from the war right up to the present.

Since he first found out about the passage of that law the morning of the first day of the meeting of the Assembly, he was "placed in a very unusual position," as vice president of the Republic. Nevertheless, Vuckovic is an optimist: He hopes that the application of the controversial law will show what's going on and most probably refute evil forebodings. There are good laws that have had bad effects and vice versa.

[Box, p. 27]

#### **Simo Rajic: Assembly Council Bypassed**

Why did Simo Rajic, vice president of the Assembly and president of the Assembly Council for the Judiciary, oppose the assembly majority? Primarily, Rajic says, because the changes and amendments of regulations now in effect under which the sphere of the judiciary is regulated should have come up on the agenda after passage of the new Constitution, and he cannot accept a partial organization of relationships in that area. Further, he has not heard of such a strongly confirmed interference with ministers of the judiciary anywhere in the world. Thus a whole system in which, he is convinced, a majority of "very worthy, honorable, and knowledgeable people who performed their duties with complete moral responsibility" worked, was really generally subjected to examination. He is particularly critical that the Assembly was placed in the position of a "voting machine" in deciding on a law pertaining to the system, despite the fact that the very independence of judges is the greatest guarantee of legal security. He doesn't agree that the old government also failed to take morality and expertise into account, especially since the criterion of poor moral-political fitness was abandoned back in April, but in practice long before that. And finally, it is not clear to the president of the Assembly Council for the Judiciary why the proposed law on courts, the prosecutor's office, and the legal office was removed from the agenda at the July meeting of the Assembly, and why up to today's adoption under the system of a completed act, there has been neither time nor cause for discussion. Or for discussion in "his" council.

#### **Army, Markovic Ties to New TV Station Alleged**

91BA0085B Belgrade NIN in Serbo-Croatian  
26 Oct 90 p 21

[Article by Rajko Djurdjevic: "Ante Markovic, JUTEL, and the Army"]

[Text] In just one day, more than 200 workers broke into the building of the prewar Agrarian Bank in Belgrade. They smashed marble details on the walls with picks, pulled up the oak parquet from the floors, broke off wrought iron artistic decorations and railings, tore the chandeliers off the ceiling, and carried them off in an unknown direction. They threw exceptionally valuable furniture into the library area as if it were junk. Thousands of books in one of the most valuable libraries in Yugoslavia were left to be stolen, without any records or control. They broke down walls and pulled out windows, leaving only the bare shells of the floors. In the basement, they smashed the prewar bank vaults, in order to install the equipment of the future television station.

The Old City inspectorate, back in September, issued a decision on halting the work, because JUTEL did not and does not have any construction permit. They simply broke into someone else's building.

Consequently, people are engaging in lawlessness in the heart of Belgrade, just a step or so from the Parliament.

At the same time, JUTEL's general director, Nebojsa Tomasevic, held a press conference. He announced that the broadcast of their program would begin on Tuesday, 23 October, at 2200, from the Sarajevo studio. He particularly emphasized that all the television centers, except for Belgrade, had already agreed to accept the JUTEL program on Channel 2. The very next day, four television centers denied this, and two did not even make a statement. Nebojsa Tomasevic, in any case, is known as a man with big ideas. As the director of JUGOSLOVENSKA REVIJA, he decided to buy an airplane that he would use to advertise that publishing house's books, in flight!

How did the idea of JUTEL arise, and whose television company is it? Officially, the founder is Radio Yugoslavia in Belgrade, which is not authorized to found a television company. JUTEL was registered on 12 September in Motovun in Istria, as a stock company with a modest start-up capital of 15,000 dinars. The television company's headquarters is in Motovun, and Belgrade is only an office, or "holding," as Tomasevic called it. Tomasevic claims that the Motovun association, which initiated the founding of the television company, consists of 87 "world publishers." He did not want to reveal their identity. The main headquarters is housed in two or three offices in Motovun, where, otherwise, it is the failed publishing house of a former Zagreb salesman.

In the Kingdom of Yugoslavia, the building of the Agrarian Bank was the property of a stock company. After the war, it was nationalized. In other parts of Yugoslavia, such nationalized buildings became the property of the Republic. The Agrarian Bank, like many buildings and villas on Dedinja, became the property of the federation. It shared the fate of the program for resettling Serbian factories in Croatia and Slovenia, and was part of that verdict against Serbia because of the "prewar hegemony of the Serbian bourgeoisie."



Zoran Manevic of the City Institute for the Protection of Cultural Monuments officially visited the site twice. He was not even allowed to make an investigation. How can one explain Ante Markovic's behavior? Did he, as the president of the government, usurp the building? In whose name is he ordering that this be done? Using his position as president of the Yugoslav government, Ante Markovic considers himself to be the "natural heir" of BORBA's editorial office and building. He has now usurped its other end for a television studio. If that television center is above parties, as JUTEL claims, if it is thus the government's, why did its founding not take place legally through Yugoslav Radio-Television?

The journalists of the former KOMUNIST were thrown out of the Agrarian Bank building several months ago. Only the Readers' Club, an exceptional cultural meeting place, remained on the ground floor. Cultured people stop by there. Some time ago, the Readers' Club was visited by a well-known gentleman named Enco Lesic, the owner of several Belgrade duty free shops. He offered to sell them "modern Italian shoes" in addition to books. Tomasevic, JUTEL's present director, made the Readers' Club an even more significant offer—several thousand books and payment in pounds for the staff. Two days ago, at a press conference, Tomasevic also presented an additional project—founding a JUTEL Club. People of all nationalities would meet there when they came to Belgrade, "and not be hidden in villas on Dedinje," he explained.

The source of the capital for all of this is still a secret. Its story is reminiscent of the American jokes about how Rockefeller got rich, when in the beginning he had half a cent and bought an apple. Three million dollars have been paid just for the equipment for the television studio. Several more million dollars have already been spent on "converting" the Agrarian Bank building. Whose money is it? JUTEL director Tomasevic explained that it was a stock company operating in accordance with Western principles. What sort of ties does the state-owned Radio Yugoslavia have with a private company? Foreign investors are prohibited by law from having more than a 25 percent share in public news media. Where did the rest of the money come from? If the Federal Executive Council is the cofinancer, whose funds are they, when were they allocated, and how much is that start-up capital? If the television centers stand by their present decision not to agree to broadcast JUTEL's program, JUTEL will have to build its own television network and invest at least \$300 million!

The Republic inspectorate, which was supposed to prohibit the further ruin of a historical monument, went to the site just before the newspaper was ended. It is left with a paper war, decisions that absolutely do not matter to JUTEL. The area of the "conversion" is a prohibited zone for journalists. Every trip involves great risk and threats. Branko Belic, a NIN photojournalist, disguised as a reporter, managed to photograph the interior of the building.

Jeeps with military license plates stand guard in front of the entrance, day and night. What is the army's role in all of this? Colonel Zivorad Ilic, a graduate engineer, said, "The investor concluded a contract with the Directorate for Territorial Management to provide the services of designing and carrying out the construction with its own institutions. The work is being conducted by a military construction institution that operates exclusively according to the principle of earning and distributing income, like every other economic organization. The contractor is not in possession of any findings by the inspectorate about prohibiting the work, and so could not act in accordance with those findings."

The following sentence from the colonel is particularly interesting:

"After all," he said, "it is well-known that obligations to the inspectorate are fulfilled by the investor, whereas the contractor receives orders from every customer. The military institution that is carrying out this work is thus responsible only for the quality of its contractual services."

Can a contractor approach all contracted work so cold-bloodedly, even though the illegality of it all is so obvious?

It was precisely from the Yugoslav National Army that JUTEL bought two transmitters, which were, incidentally, bought by the army for combat needs. At the beginning of this week, at twilight, they were already mounted on Fruska Gora and Avala, secretly and without any permit. The transmitters are intended to "cover" only the areas of Belgrade and Serbia.

[Box, p. 21]

#### Exclusive

In this extract from the minutes of the 13 September FEC [Federal Executive Council] meeting, one can clearly see the decision to allocate 54 million dinars for JUTEL. The money was allocated on 13 September, but the registration in Motovun and Rijeka—the registration of JUTEL as a "stock company"—was a day earlier, on 12 September.

By the way, 54 million (new) dinars is about \$5 million. Ours, and yours. But Ante's?

"Strictly Confidential

"Extract from the minutes of the 92d meeting of the Federal Executive Council, held on 20 September 1990.

"(unnecessary parts deleted)

"Item

"After the chair opened the meeting, the Council approved the minutes from the 91st meeting of the Federal Executive Council, held on 13 September 1990, while

"1) supplementing the decision under item 1 of the agenda, subitem 1, by adding a paragraph 2, which reads:

"by rebalancing the federation's 1990 budget, within the framework of the budget reserves, funds in the amount of 54,000,000 dinars are provided for financing the JUTEL channel for the needs of beginning operation and broadcasting programs."

## POLAND

### Minister Swiecicki on Soviet Trade

91EP0120A Warsaw ZYCIE WARSZAWY in Polish  
12 Nov 90 pp 1, 4

[Interview with Marcin Swiecicki, minister of foreign economic relations, by Agnieszka Wroblewska; place and date not given: "An Open Trade"]

[Excerpt] [Wroblewska] Foreign trade is being attacked from two opposite directions, for selling Poland out, and for curtailing the influx of foreign capital. How do you rebut these accusations?

[Swiecicki] How can one rebut the accusation that the country is being sold out when the influx of foreign capital is so scanty? Foreign capital investments in Spain, for example, average \$7-10 billion a year, or more than 10 times as much as in Poland.

[Wroblewska] In other words, there is more merit to that other extreme accusation, namely, that excessive restrictions are impeding foreign ties and hence also growth, is not there?

[Swiecicki] Formal restrictions are few, and we continue to simplify regulations and introduce new incentives. The draft of the new Law on Foreign Investment presupposes that we shall no longer restrict the repatriation of profits by foreign investors and that in most cases the granting of [operating] permits will be replaced with mere registration. Only in particularly sensitive domains, such as armaments production, telecommunications, or banking, consent by the administrative authorities will still be required. And also if the Polish partner is to contribute to a joint venture considerable state-owned assets in kind, [then] the appraisal of these assets has to be verified. We expect that in three out of every four cases of foreign investment in Poland the state will, in general, not intervene at all.

[Wroblewska] Even so the dominant opinion is that foreign capital is shying away from us, and when it does consider investing in so-called East Europe, it prefers Hungary and Czechoslovakia.

[Swiecicki] Czechoslovakia is receiving little capital inflow. Let us bear in mind that price controls still continue in that country, the koruna still is not convertible, industrial subsidies still are maintained, etc. In Hungary it is better. The Hungarians started much earlier than we to court foreign investors and reform the banking system.

Foreign capital dislikes instability. Inefficient officialdom can be coped with, and even inefficient telephones or banks can be coped with, but when it is not clear whether the country in which the investment is to be made is tending in a rational direction, what system of society is arising there, and whether it will be stable, then investing is not risked. The economy is strongly intertwined with politics, and that is why businessmen listen

so attentively to the pronouncements of politicians. Periods of electoral campaigns, when various slogans and promises are proclaimed, prompt foreign capital to postpone its decisions, because they are transitional periods. Moreover, foreign partners do not always have somebody to talk with. Plant managers lack confidence, not knowing what will be the plant's ownership status next year, on whose land the plant is located, etc.

But all these matters will be settled and, since interest in Poland still is considerable, the prospects are good even if only part of the preliminary talks—and quite a few such talks are under way—produces results in the form of signed contracts.

[Wroblewska] For now the uncertainty about the future and the high loan interest rate are prompting many enterprises to refrain from borrowing and hence also from investing. This is not a good omen for economic growth.

[Swiecicki] As privatization progresses, the behavior of enterprises will change. The possibility of making available dollar credit for domestic loans is being considered, since dollar loans are much cheaper than zloty loans, their interest rate being 12 percent as opposed to 40 percent for zloty loans. The enterprises would borrow dollars, convert them to zlotys which they would spend on expansion, and then repay the bank loan in dollars, with the understanding that they would then accept the risk of adverse changes in the exchange rate of the dollar.

[Wroblewska] On the other hand it is also said that credit availability is limited.

[Swiecicki] The issue of credit availability needs rethinking, in my opinion. The government must be firm in face of a surfeit of all kinds of irrational demands, though not in face of demands [by the enterprises which] desire to and can expand. If we curtail the supply of money—in the form of preferential credit, tax exemptions, or retirement pensions for 40-year-olds—to inefficient domains, more funding will be available for sponsoring the growth of new entrepreneurialism. Here I wish to emphasize that the assumption of monetary policy for the coming year should be drafted in cooperation with the International Monetary Fund, because in no case can we afford to forfeit the trust of that institution.

[Wroblewska] I recently heard that in the furniture industry the dollar exchange rate is too low and exports do not pay.

[Swiecicki] If that industry is successful in selling furniture at a higher price domestically than abroad, this means that domestic competition within that subsector is still not operating. This seems to be an isolated example. Polish exports keep growing and we have a high positive balance of trade.

[Wroblewska] Because of that trade surplus the opposition is attacking the government. Economists from the

Center [Accord] grouping believe, unlike the furniture industry, that the dollar exchange rate is too high. Money is stagnating instead of circulating and imports are declining.

[Swiecicki] For the first time in many years we have hard currency reserves and this will make it possible to alleviate the shock caused by the increase in the price of crude petroleum by \$10 and more per barrel. This means to Poland an additional expenditure of \$1 billion annually. But the leap in the prices [of crude] is reaching as much as \$20. You can imagine what would have happened if our coffers had been empty now, the more so considering that, in addition to that oil shock, we are facing a new situation in trade with the USSR, which we now will have to pay only in dollars for crude petroleum, gas, iron ore, and cotton. And not all of the machinery which we had been bartering for these raw materials can be sold for hard currency. That is another shock to our balance of payments. This year's hard currency surplus will mollify the external shocks to our economy.

[Wroblewska] You do not believe that our plants can manufacture machinery which is as salable in dollars?

[Swiecicki] The changes on the Eastern [Soviet] market are a major challenge to the industry which used to live off ruble exports and thus used to have a secure market free of the threat of competition. We shall help certain industrial subsectors in finding new niches for themselves. It is important that the technological accomplishments of such industries as aviation, machine tool, and others, be not wasted and their highly skilled labor force be utilized. On the other hand, the chances for continued sales of computers or computer printers to the Soviet Union in traditional quantities are low. Asian countries will enter the Soviet market with cheaper counterparts of these products. To compete with these countries, we would have to subsidize our exports to a punishing extent.

[Wroblewska] But still could not certain advantages be derived that a huge and unsaturated [Soviet] market existing next door to us?

[Swiecicki] We do not intend to shut ourselves off from that market. Recently a government delegation headed by Minister Skubiszewski returned from the USSR, and soon another delegation is going to travel to a major petroleum extraction region in that country. We have settled a number of issues, but many other unknown factors still exist. The situation of our Eastern neighbors is unstable, and contracts cannot be signed for all the needed raw and other materials, because they do not know what quantities they can sell; the extent of the autonomy of the republics and enterprises is not known yet, and so on. It may take several more years before a new system of foreign trade jells in the USSR. It is in our interest for the changes in the economic system of our Eastern neighbors to proceed rapidly in the direction of the free market.

Moreover, Polish traders, who have considerable experience in cooperating with the Soviet Union, could now act as middlemen in East-West transactions. Western enterprises will find it easier to sell their machinery [to the Soviets] with the assistance of our experts, who are familiar with the market conditions, language, relations, and customs over there. Among major projects it is worthwhile to mention housing construction for the Soviet troops returning from Europe. Polish builders are willing to undertake this task.

[Wroblewska] Does your ministry have a concept of the new foreign trade system? Should the elemental development of foreign trade be promoted or reined in?

[Swiecicki] The fact that consumers in this country rejoice instead of cursing when foreigners come in to buy our food, is probably the most eloquent proof of the great changes that have taken place in Poland. We support trade that is open in all of its forms. We shall build additional frontier crossing points. We are trying to persuade the countries neighboring us in the east and south to also liberalize their foreign trade regulations. Perhaps the process of decentralization will change something in the Soviet Union, because for the time being nothing can be exported from it without appropriate permits. Cross-border trade may be a source of substantial income for these regions, but it must be based on the same general principles.

[Wroblewska] Private traders are growing in numbers and responding to market demand—and not only in border areas at that—much better than the old state trading agencies used to. Does not their competition threaten bankruptcy to those agencies?

[Swiecicki] Competition is desirable. We are glad that so many private foreign trade enterprises are being formed. Unfortunately, however, "wild" [unofficial] trade also is flourishing. It is being plied by persons who do not pay taxes, and our fiscal system is as yet too feeble to prosecute them effectively. Besides, the employees of state trading agencies are switching to work at private enterprises and, in the process, contributing their experience, expertise, and contacts. This is not always loyal vis a vis their former employers, the state institutions, especially where capturing traditional markets is concerned. In the West resigning employees pledge themselves in writing not to engage in a competing business for, say, a year following their resignation. In this country such a practice has not yet become widespread.... [passage omitted]

#### Norwegian Aid Offers Technology Training

91EP0088A Oslo AFTENPOSTEN in Norwegian  
2 Nov 90 p 6

[Article by Rolf L. Larsen: "Environmental Help to Polish Industry"—first paragraph is AFTENPOSTEN introduction]



[Text] Norwegian civil engineers will help Polish industry develop a more environmentally sound processing industry, with higher profitability. Several hundred Polish companies will participate.

Within a few years civil engineers will begin using the Norwegian training program in environmental technology and energy utilization.

"The interest and enthusiasm among Polish companies, agencies, and organizations, is fantastic. The companies are standing in line to participate in the training program and it is truly a great challenge to take part as the leader of this work," project leader Olav S. Nedenes of the Norwegian Civil Engineers Association (NIF) told AFTENPOSTEN.

It was the Norwegian civil engineers' organization that took the initiative in the environmental program after talks with sister organizations in Poland.

"We quickly learned that there was an enormous need for raising the level of knowledge in environmental technology. For this reason, we turned to Norwegian authorities for financial assistance to begin this type of work. Our plan was well received and we have now obtained funding from both the Foreign Ministry and the Environmental Protection Ministry," Nedenes said.

#### Cooperation

During the past few months the Norwegian project leader has visited Poland four times, and Nedenes has just signed a cooperative agreement with the Polish project leader, Professor Zygfried Nowak.

"Two hundred eighty companies said they were interested in participating in the training program. Together, we have selected about 60 companies as a beginning. About 15 people from among these companies will be primarily responsible for taking their knowledge back to all those who are participating in the environmental program in Poland. Communications between these people and seven Norwegian advisors will occur in English. The Polish specialists will disseminate their knowledge in courses at home in Polish. There have been some language barriers, so we have set up the first part of the educational process in this way. The 15 Poles will come to Norway at the end of the month," Nedenes said.

#### Model Companies

Here, together with the project leaders and the Norwegian advisors, they will study how the program is to be set up. In addition to courses and training programs in Poland, there will also be workshops in both countries. So-called model companies have also been set up. Here the exchange of knowledge and visits will go both ways. The Norwegian advisors will play an important role in all these areas. The Poles who come to the first meeting in this country in a few weeks will also visit several of the

Norwegian model companies. Pettersen & Son in Ostfold and Stord International, which produce equipment for recycling food waste, are among these companies.

"The Norwegian companies will work together with similar companies in the processing industry in Poland. There is much to be gained at companies of this type, in particular, with regard to both environmental technology and better energy utilization. By improving their knowledge of environmental technology, processes, and equipment, companies of this type in Poland also hope to improve their production levels and profitability. The primary purpose of the program is to increase knowledge of these facts," the Norwegian project leader said.

#### Technology as Bridge Builder

They also hope to use this environmental training program to build an environmental bridge between Norwegian and Polish companies.

"There will be plenty of opportunities for long-term agreements between individual companies, agreements on technology, and the sale of Norwegian equipment to Polish companies. The program will proceed until the summer of 1992. By that time, the Poles hope that over 500 companies will have gained valuable knowledge and begun implementing Norwegian environmental technology," Nedenes said.

This cooperation between Norway and Poland in the area of environmental technology is also attracting attention and interest in other countries of East Europe. The Environmental Protection Ministry and the Norwegian Civil Engineers Association (NIF) have received enquiries from the Soviet Union and Czechoslovakia, which would also like to consider cooperation of this type with Norway on environmental protection.

#### Maritime Economy: Port Development, Foreign Projects Viewed

91EP0066B Gdansk *DZIENNIK BALTYCKI* in Polish  
23 Oct 90 pp 1, 3

[Interview with Jan Kuligowski, deputy minister of transport and maritime economy, by Teresa Chudek; place and time not given: "The Way Through the Ports"]

[Text] [Chudek] Mister Minister, do you believe that we are making sufficient use of our great trump card that the sea is? Does the maritime economy serve the country to its full potential and do we value it adequately? Many people, and I am one of them, feel inadequacy in this regard.

[Kuligowski] For the country, benefits from the sea involve drawing on the available resources of our economic region, the open seas and the economic regions of other countries. It means drawing on the mineral resources of the sea floor. And it means shipping routes and the recreational advantages of the sea. We have a significant technical and human potential engaged for many years in exploiting these benefits.

The problem is adapting this potential to present and future needs and possibilities, its renewal and improved adaptation to the structure of the demands.

[Chudek] For example, adequate preparation of ports to service modern ships and applying modern transshipment technology.

[Kuligowski] Since the drop in the number of shipments, the ports at the junctures of land and sea routes were being exploited to a degree that was far from adequate in relation to the potential. While counting on a boom in our foreign trade through sea routes, we are striving at the same time for a greater number of transit shipments mainly in Czechoslovakia and Hungary. We are in contact with Sweden in the interests of intensifying movement along the north-south route. Our ferry shipping is also at an impasse as far as the technological state of the ferries and the quality of the services goes; adapting it to the needs and possibilities of the development of this movement is an important matter. In this connection, there are Swedish-Polish initiatives to establish new ferry contacts. In summary, we may say that we are one of the countries that exploit their location on the sea quite intensively. The deficiency of which you speak arises perhaps from the fact that during the last decade our marine economy was firmly held in the state grip of a restrictive and draining financial-foreign currency system.

[Chudek] This was reflected very negatively also in the shipbuilding industry.

[Kuligowski] It is exactly this industry that could now bring in enormous profits from the sale of ships, the prices of which rise together with demand because the world fleet has aged significantly during the last few years. Our shipyards cannot fully exploit this favorable circumstance at the moment because they do not pay competitive wages to the workers due to tax restraints; they are urgently pleading for relief from these.

[Chudek] Of course these taxes and the especially well-known gratuities can paralyze every attempt to escape the impasse and increase production. And as a consequence, the development of the enterprise, as in the case of the Marine Mercantile Port in Gdansk, has the same problem. This year it is particularly threatened by the stunning sum of 140 billion zlotys in tax due to an above-average increase in pay. Who can tolerate this? Certainly keeping ships and railroad cars in the port due to a shortage of people to service them because of low wages will bring greater economic losses....

[Kuligowski] The Gdansk port found itself in an exceptionally unprofitable situation in this respect. As you know, the base for computing the increase in wages and tax are the average earnings from August of the past year. In this port, these were relatively low because the former management of the port was more interested in maximizing payments from profits than in increasing actual

wages. This is having serious consequences this year and is making it difficult to keep up with the increase in wages at other enterprises.

[Chudek] How does your department want to help the port?

[Kuligowski] We are trying to become involved in these matters together with the Ministry of Finance. We are in contact with the management, the workers' self-government, and the trade unions. Last Wednesday we spoke on this subject in Warsaw. Firm bases for progress in this area, for better functioning of the port, improvement in its services and assurances dependent on the quality of their adequate earnings may result from the organizational changes and ownership restructuring in the enterprises already initially prepared.

[Chudek] These changes are making their way with difficulty. The matter of municipalization of the ports is still at the starting point and arousing controversy. Would it not be desirable to speed up the ownership restructuring in the ports?

[Kuligowski] The tempo of the changes in ports and their ties with their mother cities depends on the determinations of the government or the ministries to a lesser degree than it does on the self-government bodies and directors of the ports and on local authorities, city councils, and their administrations. Only together can we change anything for the better. Proposals have been made to separate the affairs of regional management together with the whole port-industrial infrastructure from the operational functions connected with transshipping, storing shipments, and towing ships in the port. It is not the intention of the ministry or the government to homogenize the system of municipalization of the ports. In discussions with partners, however, we are already reaching the conclusion and I hope that we will be able to undertake such restructuring in the very near future.

[Chudek] Thus far the management of port-municipal areas is inadequate, in Gdansk, among others, it requires enormous financial expenditures. In this connection, what do you think of the proposal of eventual entry into a partnership of the joint venture type between the Ministry of Industry and Trade and the City Council with the Sanbar Development Corporation S.A.?

[Kuligowski] This is a typical example of the kind of developmental undertaking that should be negotiated. Management of a large sea area can be undertaken only by an organization that has this area at its disposal for a long period, 20 to 30 years. Evaluation of the possibility of undertaking activities under present conditions is very difficult because rights of ownership of partners are not very well founded in these areas in reality. As a result both the port and the city believe themselves to be managers of these areas as does the Maritime Office in the name of the state administration. But the matter

could be easily resolved by forming a state-municipal enterprise which would receive those areas under a long-term lease.

[Chudek] A similar solution is being considered in the proposals of a partnership with the Sanbar company which would provide the necessary financial contribution. What information do you have on the subject of this company?

[Kuligowski] As far as I am concerned, I learned about it at the beginning of August of this year. From the data I have, it seems that thus far, information pertaining to the significant financial and developmental potential of this company have not yet been adequately appreciated. I have the right, therefore, to judge that this is a serious contractor.

[Chudek] The Agency for Foreign Investments should undertake the confirmation of the credibility of partners from other countries.

[Kuligowski] If the partners, especially Polish partners, finalize a matter creating a joint venture, then obviously the agency will do what it should.

[Chudek] The affair of the Polnippon Company S.A. stirred a controversy in this matter.

[Kuligowski] From discussions which I had with a representative of the Sanbar company, it seems that it is convinced of the professional competence and proficiency of the Polnippon Company consulting enterprise. Meanwhile, whether this enterprise will play any role in the mutual port-city undertaking depends on the partners that undertake it.

[Chudek] In connection with the limitations on availability of crude oil from the USSR, an exceptionally important matter is the rapid increase in transshipping capability of the liquid fuel base in Port Polnocny. Will the State Treasury participate in the costs? At what stage are the preparations?

[Kuligowski] Very intensive work is being done on preparing the technical plan for this project and on creating a consortium of Polish enterprises engaged in this oil business. From estimates thus far, it seems that if another partner cannot be found, then the State Budget will cover approximately 20 percent of the costs of the undertaking. A basic investment is involved here, that is, an increase in transshipping capabilities for crude oil and petroleum products by building three serial service stations for ships at the base in accordance with the original plan. Meanwhile, the construction at the outset of a supplementary station at the crude oil pier will depend on the results of discussions with the providers of Soviet crude oil, on the amount that we will receive through the eastern pipeline. If there will be more than was at first proposed, then the building of the supplementary station for servicing ships may be unnecessary, which will save us costs. At the same time, we want to reconstruct the principal base effectively and as rapidly

as possible. All the more so since the needs for crude oil import by sea are growing not only in Poland, but also among our southern neighbors.

[Chudek] Additional land investments would have to be connected with this....

[Kuligowski] A pipeline links the Gdansk port with Polish refineries and with a plant in Schwedt, on the territory of the former GDR. Since everything indicates that the flow of crude oil and petroleum products as well as gas will continue to increase in the port, we will have to think about new solutions. One of the companies which offers significant financial involvement in the development of the infrastructure for crude oil, liquid fuel, and gas transport is Sanbar.

[Chudek] In the past, because of geographical location, Poland suffered many misfortunes. Now it seems that in this connection, there is great economic opportunity not only in view of the East-West, but also of the North-South transit routes. Will we be able to take timely advantage of this?

[Kuligowski] In the Ministry we are preparing a quite broadly conceived development program for the export, import, and transit infrastructure. We have assurance of support in this area from the World Bank. It would be very useful if large foreign firms brought capital in and assumed part of the costs of developing this infrastructure in exchange for the benefits of using it.

[Chudek] Thank you.

#### **Political Influence on Economy, Privatization Efforts Assessed**

91EP0066A Gdansk GLOS WYBRZEZA in Polish  
23 Oct 90 p 4

[Interview with Jan Kuligowski, deputy minister of transport and maritime economy, by Krzysztof Krupa; place and date not given: "Our Small Privatization: Capital Must Yield Profit"]

[Text] [Krupa] Politics and ideology burdened our economy for many years. Do you believe that we have succeeded in throwing off this ballast?

[Kuligowski] We have not freed ourselves of it. We have a practically untouched state sector that dominates the economy. The role of the state is always significant, and its legal withdrawal from the possibility of directly managing enterprises decreased it only partially.

[Krupa] The economy and its problems are still the field for political games in spite of the fact that these require professional experts and not politicians. The battle of the pretenders to a place in the Belvedere, at least some, is also an example of the work of people dreaming up water. Generalizations and demagoguery are cheap populism. Is not this the influence of what seem to be past times?

[Kuligowski] But politics has its own rules. In western countries, the guarantee of balance in such matters is private property, in most cases in industry and in the whole economy. In Poland, we are always dealing with irrational subjection of the state sector to the influences of politics. Management of enterprises is dominated not by capital, but by the work factor. But no matter who is the owner, the capital invested in an enterprise must yield profit. It must be subject to a regime: thrift, productivity, marketing efficiency. We are moving in the direction of subjugating state capital, creating individual partnerships of the State Treasury (so-called commercialization). This is always a hybrid; even if the Treasury would require an appropriate level of return from managements of commercialized firms. This is not enough—this is a future solution.

[Krupa] If in future times, before the presidential elections, before a change of the parliamentary guard, perhaps several weeks before the dismissal of the government, is it possible to conduct a much needed stable economic policy? Is it possible to plan for the future?

[Kuligowski] Those who are not able to plan for the future, to take steps that take into account future benefits and configurations, those are the people, groups, and enterprises that are most likely to fail. At this moment, it seems to me, those groups of people in the enterprises are making themselves heard who are trying to make a number of accessory, auxiliary functions independent, creating in this way an opportunity for independent work for their own workers.

[Krupa] The solution—already known—is privatization?

[Kuligowski] Yes, small-scale privatization. The benefits are threefold. For those who can finally work for themselves, for the establishment in reducing certain fixed costs, and for the community in an enrichment of the services market.

[Krupa] Is it possible that the next government will deny to politics that for which you are working and that its thinking will take an entirely different direction?

[Kuligowski] I don't think so. From statements of all the serious political forces, it follows that the basic tenets of changes that Mazowiecki's government initiated are not being questioned. We can detect only the need for selectivity in economic policy, perhaps in the spheres of taxes, the budget, and the tempo of privatization of the state sector.

[Krupa] The criticism of the Balcerowicz program, however, is shrill, from left to right. Are you in favor of all of the Balcerowicz solutions?

[Kuligowski] I would not declare myself to be a monetarist, there are somewhat too many weak points apparent on the supply side (even recession). Fortunately, what Balcerowicz is implementing is not pure monetarism. What is the weakness of the government? It

is the lack of selectivity in the deflationary policy. This was the result, however, of the principle that there is no room for varying the approach to one economic sphere or another while the threat of hyperinflation is so tremendous.

[Krupa] Therefore the corrections which many strive for are necessary.

[Kuligowski] Yes, the decline due to limiting demand has occurred. Time is needed for privatization, for flexibility of the economy to be extended through natural processes. State support for these processes must be strong and based among other things on varying the approaches in different spheres, based on a priority for changes recognized as being the most important: for example, pro-export, in the direction of ecology, etc. The crux of the matter lies in whether the government will use various groups as support against pressure from the state sector that is demanding better treatment for itself than that given to others because of its unique situation. And this is the dilemma at the interface between politics and the economy.

[Krupa] But is Mazowiecki's government really strong enough to oppose the lobby?

[Kuligowski] The task is not made any easier by the political campaign and the extended criticism not only by political circles, but actually by trade groups demanding policy selectivity, obviously to the benefit of interests they represent. I personally deal with such problems, horrendous problems. For example, the situation in the shipping industry. Taxing bonuses, the so-called gratuities, is blocked by the significant increase in production of the shipyards; there is no lack of new orders.

[Krupa] What is the solution to this tangle?

[Kuligowski] We must stop damping production in enterprises that export profitably. A condition for changes (certainly very important) is progressive privatization, restructuring of the economy, when the owner is concerned about keeping costs under tight rein and there is no threat of resurgence of hyperinflation. Then it will be time for a more refined policy with respect to various spheres of the economy. Selectivity will not disturb the balance.

[Krupa] Meanwhile, regardless of whether the government will remain, we find ourselves at a turning point. The privatization on which so much depends is proceeding very slowly.

[Kuligowski] That is unfortunately true. In my opinion, our legislature left a somewhat large portion of the decisions in the hands of workers' self-rule. I am not opposed to self-rule, but as an economist, I cannot, without some doubt, accept the model in which mainly workers' representatives make decisions on serious changes in ownership. This is contrary to the experience



of other economies. There are also other radical proposals—consolidation of the self-rule character of an enterprise through enfranchisement of its personnel. I don't know of any society in which such a solution as a principal solution has proven correct.

[Krupa] There is also talk of an official model of privatization.

[Kuligowski] The procedure does not provide an opportunity for civil servants to direct this process.

[Krupa] But the feelings are that an anointing is necessary.

[Kuligowski] This principle holds only in the first phase; firms in good standing, the best firms, are privatized. This applies to an insignificant proportion of enterprises. Meanwhile, most of the state sector is beginning ownership changes according to decisions of workers' self-rule and management.

[Krupa] Do you see a situation in which people move toward privatization, "by tooth and nail," as their most essential goal? Or is there a psychological barrier?

[Kuligowski] Not only a psychological barrier, but a conflict of interests. Workers' Councils understand very well that when a firm is converted into a stock company, for example, its representatives will be only people from management. Their influence on the policy of the enterprise will be substantially decreased.

[Krupa] At this time, the Italian or Spanish boom during which thousands of small enterprises appeared in only a short time, which resulted in a boom and economic stimulation, is in the sphere of dreams at this time.

[Kuligowski] The government dreams of this. What stands in the way of groups of workers branching off from existing enterprises even today which would initiate the development of new economic organisms. This direction will be supported by this government and probably by other governments. However, someone in the enterprise must decide, but in a forum of a workers' council with a conflict of interests among various groups, this cannot always be done.

[Krupa] In your opinion, which presidential candidate would be best suited to solving the economic problems we've discussed?

[Kuligowski] My model president, Professor Stelmachowski, played a trick on me and did not enter the race; he has great authority and ability to mediate, which, it seems, are most needed by the Polish people and the state.

### **Budget Allocations for Future Weapons Development**

91EP0121A Warsaw POLSKA ZBROJNA in Polish  
14 Nov 90 pp 1, 4

[Interview with Division Gen. Tadeusz Kusmierski, chief, Technical Inspector's Office, Polish Army, by Janusz B. Grochowski; place and date not given: "A Smaller Army, but...."]

[Text] [Grochowski] For the last few years the armaments at the disposal of the Polish Army have been consistently reduced. According to figures as of 1 January 1990 the army had: 2,930 tanks; 4,255 armored combat vehicles; 2,365 artillery pieces with caliber exceeding 100 mm; 670 warplanes; and 43 helicopters. But these figures keep changing.... What then are the actual figures?

[Kusmierski] You yourself said that these figures keep changing.... It is therefore easier to speak of the status we expect to attain as of year end. At that time our army should have 2,500-2,600 tanks, 2,100 artillery pieces, and nearly 400 aircraft. Further arms reductions will be performed after the Vienna Protocols are signed. It is as yet difficult to say what quantities will be settled upon. For the time being the talks are not over. But of a certainty, in three to four years—because that much time will be needed to reach the agreed-upon ceilings—our armaments will markedly decrease. Of course, the oldest armaments are the first to be withdrawn.

[Grochowski] I suspect that we are not the only country to do that.

[Kusmierski] Every country is doing it. But, contrary to appearances, this is neither a simple nor an inexpensive thing to do. Preparing one tank for transfer to a steel plant cost last January nearly one-half million zlotys, and nowadays this figure should be three to four times as high.

[Grochowski] I trust that the payment received for tank scrap will at least offset this expenditure.

[Kusmierski] We are not only scrapping equipment. Whenever its utilization outside the army, chiefly in the form of motor vehicles and machinery, is feasible, we are selling it as is or in the needed adaptations.

The quantity of military equipment does not fully reflect the condition of an army. Equally important, if not more important, is the quality of the weaponry. There used to be a time when Poland had more warplanes than Great Britain, West Germany, and Italy taken together! But does that mean that we were a big power in aviation? However paradoxical it may sound, arms reductions help modernize an army. Not so long ago 16 to 18 percent of all the tanks on hand belonged to the newest generation, whereas now this indicator exceeds 27 percent, and for aircraft, 19 percent.

[Grochowski] These figures also reveal the distance which unfortunately is separating our army from the armies of other countries. Ninety percent of the air fleets of NATO countries consists of new jet planes. Forty-two percent of the Bundeswehr's tanks are modern.

[Kusmierski] Such comparisons cannot be made automatically like that, because the differences between the equipment and technologies of the Warsaw Pact and the North Atlantic Treaty Organization are considerable. In answering this question one should also consider the old—both our and Western—doctrinal assumptions. We had tried to substitute mass for quality. This accounts for our substantial numerical predominance in tanks and artillery. But the world has been developing in a different direction. A modern fighter plane cannot even be conceived without sophisticated electronic gear. The application of infrared vision, optoelectronics, and smart automatic homing systems is nowadays something normal. Unfortunately, in these domains we are not leading.

[Grochowski] We lack our own design solutions, do not we?

[Kusmierski] That is not so. Our radar systems are in no way inferior to world standards. Polish digital radio stations are the *dernier cri* of military fashion. We have modern small-caliber fire systems and automated air defense command systems, among other things. Each year 25 to 28 new armament designs representing original projects developed by our military institutes or civilian research centers are being introduced into production. More still are on the shelves.

[Grochowski] Is that much or little?

[Kusmierski] Depends on how one views it. For this year three percent of the budget of the Ministry of National Defense, that is, 400 billion zlotys, is scheduled to be spent on original research and development. But in some of the recent years this proportion was...1.8 percent! That was due to the rampant increase in other expenditures, but thanks to temporary alliances we were able to spend much smaller resources on our own research and development. In comparison, West Germany has allocated six percent of its military budget for this purpose, and France even as much as 20 percent, which is equivalent to 17-70 trillion zlotys.

This conservation benefited the coffers of the state, but it should be borne in mind as well that the funds which we earmark for research and development now will a few years hence determine the quality of the army. I believe that they should amount to not less than six percent of defense outlays; this would serve not only to expand the research and development work on indigenous armament designs but also to exploit the nascent possibilities for international cooperation, following the abolition of COCOM restrictions on access to latest technologies. And it was precisely the technological barrier that has in

the past often been for Polish industry an insurmountable obstacle to initiating the production of Polish-designed military equipment.

[Grochowski] Is this barrier the only obstacle? Even such a gigantic company as Boeing, which has a backlog of orders for the next few years, also courts orders from the military. Our enterprises on the contrary are attempting to avoid producing for the military.

[Kusmierski] That was in the past. At present these enterprises are courting orders [from the military]. The only problem is the funds available to the Ministry of National Defense for arms purchases.

But let me tell you my view, which does not have to be generally shared. For the last 20 years, a period of dynamic growth of our arms industry, the dominant concept used to be that we should be strong in everything, equally well in the aviation industry and in the manufacture of armor, infantry weapons, radar stations, and communications systems. Of course, this was not feasible. A selection was necessary, if only in order to assure concentration of investment effort by the state. At the same time, however, the then reigning command-allocation system served to coerce industry to initiate the manufacture of particular products contrary to elementary economic logic—products that were not always up-to-date and whose manufacture was, moreover, not always easy to master.

[Grochowski] It was not enough that arms production was forced upon enterprises, and now the army is cutting down on its equipment orders.

[Kusmierski] This accusation can be applied to the spirit of detente throughout the world, which is resulting in defense budget cuts not only in our country.

[Grochowski] But many arms industry enterprises are threatened by bankruptcy, and that would not be consonant with our national interests.

[Kusmierski] If that were so, that would be proof that arms production is highly profitable, considering that at most defense-industry enterprises arms production does not account for more than 40 percent of their output capacity. And it accounts for as little as 1.5 to three percent in the overall output of the state.

That also is a rationale for viewing differently the operation of arms plants. These plants should become joint-stock companies in which the state holds a majority share but which are governed by all the laws of the marketplace. The state would also be a guarantor of orders for its armed forces, which in turn would stimulate and at the same time promote the production of military equipment, with the state purchasing that equipment and partially funding its development and application. Why only partially? Because that will enhance the likelihood of scoring final success. No producer who is forced to invest his own capital, especially by the pressure of competitors, will risk the failure

of his factory owing to sluggishness or incompetence. Similarly, the approach to the acquisition of licenses by the state should be altered.

Of course, arms production will not be profitable if its sole customer remains the Polish Army. As long as armies exist, there are always possibilities for selling modern weaponry at a profit, and chances exist that we can offer it for sale. But that should be a task for the enterprises themselves, just as is being done in the world of the free market.

[Grochowski] Just how realistic are these possibilities?

[Kusmierski] Preliminary talks already are underway.

[Grochowski] Talks on what subject?

[Kusmierski] I do not want to, and indeed cannot, as yet discuss the details. But there exist possibilities for cooperating with Sweden, as well as with other countries, in the manufacture of avionics and warplane gear. Recently I returned from Austria, where we discussed the terms for cooperation with the well-known Steyer-Daimler-Punch Company in manufacturing automotive equipment. It is possible that we shall coproduce electronic and fire-control systems with the Belgians and tanks with the French. But let me emphasize that these are only some of the preliminary soundings of many other potential customers as well. That is why I can specify with greater certainty just what we shall not manufacture even if we have access to Western technology. I do not think that Poland would try before the end of this century to start manufacturing combat aircraft in the MiG-29, F-16, or Mirage-2000 class.

[Grochowski] General, sir, and that surely is the reason for the rumors that you intend simply to acquire Western fighters in that class?

[Kusmierski] Of course that is not true. We have not been even engaging in such talks. If we do import aircraft of that class, their supplier, for the time being, is, as you know, the Soviet Union, and, now that it has switched to trade in hard currency, we would have to pay that country nearly US\$18 million for just one MiG-29; if only owing to the cost factor, these quantities would not be large.

[Grochowski] Then perhaps, how about doing like LOT Polish Air Lines does, and leasing them?

[Kusmierski] We have not considered this alternative, and we have received no offers of the kind. To be sure, this form of acquiring armaments is valid in our country, considering that we are leasing certain Soviet warships, but we intend to relinquish it. Soon the decision will be made as to whether we shall acquire ownership of these ships or return them to the USSR Navy.

[Grochowski] Would the Polish Navy be condemned to extinction? If we also were to relinquish those assault ships which the Danes and Swedes are constantly complaining about?

[Kusmierski] This fear is certainly not justified. To be sure, though, our Navy in the Baltic will be incapable of independently resolving military problems, and we do not anticipate its operation in other seas. Another factor influencing the directions of growth of the Navy is cost. And unfortunately, naval equipment happens to be most expensive. I therefore think that the Polish Navy will basically consist of torpedo boats, missile boats, and minesweepers. We do not intend to build new landing craft, yet we shall continue to need them for coastal defense maneuvers. The basis for pursuing an armaments policy is—at least the world over—the accepted military doctrine.

[Kusmierski] That also is the case in our country. As known, the purpose of the army is to defend the sovereignty and territory of, above all, our state. This in itself predetermines the directions of development of our arms policy. Of a certainty, we shall not develop the offensive mass weaponry needed to conquer territory. And such weaponry means tanks.

[Grochowski] But tanks can also be used for defense.

[Kusmierski] Of course, but priority will be given to a strong and up-to-date air defense system and its appurtenances.

[Grochowski] Meaning radar and fighter aviation.

[Kusmierski] And missile systems as well. The development of antitank weapons will be another priority. The third direction of the expansion of the armed forces will be, of a certainty, the modernization of command systems, that is, of communications, computers, and, again, radar. These are the chief but not the sole directions of development. For example, as regards sapper equipment, we shall abandon the mass use of bridge-building pontoons in favor of high-capacity machinery for building earthworks. We want to develop means of camouflaging, but of course not by means of the acquisition of additional quantities of the traditional netting. We are thinking of active camouflaging that hinders the enemy's observation.

[Grochowski] General, sir, for some time now the operative slogan has been, "A smaller but stronger army." It is admittedly a very catchy slogan.

[Kusmierski] But, given the budgetary constraints under which the army has had to operate in recent years, it has to be borne in mind that this is not a quite realistic slogan. It is of course nonsense, contrary to what some think, that this can be accomplished in a year or two and in the absence of adequate funds at that. Let us put it differently: the kind of army a country has reflects its economy and the technological level of its industry. Here no miracles can be worked. If we had money, it would seem that the simplest thing would be to acquire foreign weaponry. Is that really so? A MiG-29, for example, would additionally cost another US\$18 million to service, maintain, and arm.

[Grochowski] Is the Polish Army still acquiring new weaponry at all? Or do we rely only on the legacy of the National People's Army of the GDR?

[Kusmierski] As known, 23 percent of the 1990 budget of the Ministry of National Defense is earmarked for equipment, but this does not mean that we are to spend that much on the acquisition of new equipment. Still, this will enable us to purchase everything we targeted in our plans. To be sure, we planned for a hunker-down level. A month ago five MiG-29's ordered from the USSR landed in Minsk Mazowiecki. We also wanted to be supplied with more communications equipment, but the production capacities of the plants proved too limited. Of course, these figures are much smaller than envisaged in the Five-Year Plan, but then our funding is half as large as originally envisaged.

And as for the military equipment of the former GDR, the initiative in that matter was taken by the Ministry of Foreign Affairs. I admit that we were aware of it, and that I would be content if that equipment were to be transferred to us gratis or in return for 35 percent of its value.

[Grochowski] General Schoenbohm, the commander of the Bundeswehr-East, recently declared as follows, concerning the transfer of all T-72 tanks to Poland: "It will cost us less than if we had to scrap these tanks. That is because we cannot afford to maintain two different armored weapon systems."

[Kusmierski] True enough. In this connection, let me emphasize clearly that we are only interested in modern equipment, above all, in the MiG-29's, in the missiles and projectiles for these aircraft, and for the SU-22, as well as in antitank systems and analytic gear. But such acquisitions would make sense only if we would receive Soviet guarantees of the supply of spare parts for that equipment—and right now talks on this issue are under way.

[Grochowski] General, sir, I am not even going to ask you if you are content with the funds budgeted for armaments. For I know that you are not content, as you have publicly declared, for example, before the Sejm's Commission for National Defense. What is the size of the funding that would satisfy you if allocated for next year?

[Kusmierski] That is a difficult question, although we have the requisite figures prepared. It would be utopian to believe that defense expenditures would be doubled. We are realists, as I always say, and so we count on getting 8 to 9 trillion zlotys.

[Grochowski] That is equal to three-fourths of this year military budget!

[Kusmierski] Except that the prices of some kinds of equipment have increased tenfold in the course of this year. The switch to hard currency trade with the Soviet Union is causing Soviet equipment to become, on the

average, more than thrice as expensive to us. We hope that the minister of finance will take this into consideration. If that happens, expenditures on military equipment would account for about 30 percent of the budget of the Ministry of National Defense, and this means that the supply of equipment would increase by five to six percent compared with this year.

[Grochowski] Thank you for the interview.

### Employees Frustrate Nestle-Wedel Joint Venture Attempt

91EP0064A Warsaw PRZEGLAD TYGODNIOWY  
in Polish No 39, 30 Sep 90 p 5

[Article by Jerzy Morawski: "The Elusive Taste of Caramel: Association With Hard Capital Would Provide Wedel With a Sweet Life"]

[Text] At the beginning of the year, Wedel began private talks with foreign capital. Unfortunately, news of the talks quickly trickled down from the director's floor to the "Bird's Milk" (ptasie mleczko) [factory level]. The women working over the sweets felt sour. Rumor had it that in the offices we were being sold out, to foreigners. A black future was predicted.

The general director ordered that a Swiss flag be hung on the gate, to cheer the workers. This simple measure, like the elusive taste of caramel, merely explained who it was that wanted the factory, but it suddenly whetted the appetite for details. For how much? Under what conditions? And what about the workers?

Wonder of wonders, the representatives of Nestle in Switzerland, who had been picking at the Wedel cake for several months, found it to be a pretty tasty morsel. As a result, this world power in the food industry, a firm with about 350,000 employees, the one that had dreamed up Nescafe, was looking for a poor firm on the Praga side of Warsaw. It is true it [Wedel] had a splendid past; it is also true that its current reputation is what you might call so-so. It is difficult to guess what decided the Swiss on this plant, inasmuch as they could have had their choice of partners. One suspects their strategic thinking went like this: It would be easier for Nestle to reach the East from a point on the Vistula River. And just in time, because post-communist societies are hungry for sweets.

The vision of fantastic profits did not send the capitalists to their knees. Hard conditions were set for Wedel. First, the future joint company (Wedel and Nestle) would be organized and run according to Swiss models. Next, the Swiss would appoint the director and put their own specialists in some positions. The western chocolate producers also demanded assurance of 51 percent of the shares, that is, they wanted a controlling stock interest. More detailed negotiations were deferred, because it was a question of adapting the letter of intent.

Despite the fact that last year's production figures were Wedel's best since the war, management realized that the



Swiss had been sent from heaven. Most of the machinery in the plant is outmoded, and some of it should have been replaced over a decade ago.

"In two to four years we won't be able to compete with the production of western companies. Their products will be cheaper. They'll flood our market," says Production Director Tadeusz Oldak.

Nestle, on the other hand, meant modern technology, new machinery, and chic recipes. In addition, people have been saying for a long time that Wedel would be one of the first to go private. At this stage, to be associated with hard currency, and furthermore to be invited, would assure Wedel of a really sweet life.

Minor cosmetic changes were made in the conditions set by the Swiss. For example, an agreement was reached whereby the number of places on the board was reduced from 51 percent to 50 percent. Management accepted their proposal. The self-government body and trade unions were informed for the first time of the possibility of joining Nestle, when "22 Lipca" was taken off the name of the plant, in June.

The plant's Workers Council and Solidarity union both said: No!

Solidarity Chairperson Andrzej Kaminski, a mechanic, said: "We couldn't consent to it, because the workers were upset by rumors that there'd be a reduction in force. Management kept everything secret. They didn't explain anything."

Once the Swiss learned that the Polish firm had other partners besides the director, they began to negotiate with them. Solidarity and the Workers Council issued an ultimatum: the talks would be called off, unless Nestle changed the cooperation concept it had agreed upon with Wedel's management. The workers wanted the western partners to cancel their decision to build a new plant in Poland based on Wedel. The new plant would have meant completely new technology, full automation, and many employees out pounding the pavement as a result.

"We have to see that people have jobs," says the Solidarity chief. I know there'll still be layoffs with a different plan, but not massive ones. I could be hit, and I'll let it happen."

On 12 July, a joint cooperation document was signed, by the Wedel group, represented by the Workers Council chairperson and the general director, who had not been present during the final stage of the talks. The agreement was that plant modernization would be accomplished first, and a new factory would not be built until some time in the future. The first fruits, they decided, would be Wedel chocolate produced according to Nestle's recipe, methods, and technology, and with its technical service too. Then foreign capital would be infused and replace Wedel's. It was assumed that this would happen following conversion to private ownership. For example,

the sesame candies would be less Polish and more international, although they would retain their original taste.

All that was missing to make the good fortune complete was a resolution by the Workers Council to support these plans. Ratification appeared to be a mere formality. Nestle representatives left Poland relaxed, daydreaming of marzipan on license.

At the beginning of August, the Workers Council passed a resolution reflecting the silent dreams of a large share of the work force. Document No. 30 is entitled: Intent to Recall the Director. It was sent to the founding body, the Ministry of Agriculture. The document asks for an expert finding on removal of the general director, Andrzej Karbowniczek. Various sorts of accusations are made against him. For example, the document mentions lack of skill in cooperating with foreign partners. At the plant's Solidarity union, people say that the director antagonized western capital. As Solidarity noticed in the course of negotiations, the Nestle representative even mitigated the unions' criticism of the director, saying that as a Christian he would forgive the Wedel head for his behavior. After this he made circular motions with the palm of his hand, to indicate that the candy factory director was as slippery as an eel.

The self-government is accusing Director Karbowniczek of involving the firm in several companies, a move which will not prove beneficial. Resolution No. 30 says that two of them are typical of the nomenclature. One, called Cukry, was created by the machine of the old confectionary association. Director Karbowniczek serves there as head, but the company is Wedel's competitor, inasmuch as it produces chocolate. The document claims that the employees of the KD [expansion unknown] who set up the second one, Mixbud, were former PZPR [Polish United Workers Party] members. Instead of being used to construct residential buildings, funds are merely collected for shareholders. Maria Idzikowska, deputy chairperson of the Workers Council, considers Director Karbowniczek to be a veteran among directors in the capital. He has been in charge since 1968 ("Who was it that got ahead then?"), the longest in the city.

"He's not a director for our times. We need a manager," says Solidarity Chief Kaminski.

Part of the Workers Council gathered on 13 August. It is difficult at Wedel to determine who picked this unfortunate date. Some of the members of the council were on vacation. Director Karbowniczek, who was present—there was exactly a quorum—stunned everyone with an ace he had up his sleeve: The Agros Company was proposing to give the entire work force an immediate 50-percent increase in pay and was not calling for even a minimal reduction in force. Agros was promising paradise, compared to Nestle's chocolate workers. It was giving Wedel 10 million dollars for investments alone. Right away. Just agree to the company. Some of the

members of the Workers Council were absent, but the ones who were there were enchanted with the proposal, and a decided majority passed a resolution rejecting the offer from the Swiss.

Workers Council Chairperson Czeslaw Olejnik says, "I myself was astounded at the vote. The people at the meeting didn't have a heated discussion. They didn't present arguments. They were like clams. Not a word. It's discouraging."

Meanwhile, the plant was covered with fliers defending the director and showing that the Workers Council was not doing a good job of representing the workers. Department heads pushed workers to sign letters in favor of Karbowniczek. In turn, the plant's Solidarity union came into possession of lists of those who, feeling they had been manipulated, had decided to withdraw support for the director. In short, things became very mixed up in the sweet stuff.

The group of experts appointed to evaluate the proposal from Agros stated that it was all a misunderstanding. So why did not director lure the Workers Council with such a tasteless bonbon?

Solidarity Chief Andrzej Kaminski thinks that the director was trying to keep his desk. He is a member of the board at Agros. The chairman is thinking that because he knows everyone, in the future he will surely be appointed director of the company that owns Wedel. He wanted to lure the workers by saying there would be tremendous pay increases. Kaminski claims: "Director Karbowniczek is being dishonest with us."

The Solidarity chairperson says, "We're supposed to be doing business here, not pushing things through like in the old days. There is overemployment at Wedel, among both the white-collar workers and among the assistants and blue collar workers. Things can't go on like this."

All hope is being placed on the conversion to private ownership, on the factory's avoiding bankruptcy. Production Director Oldak judges the initial level of knowledge on this subject among the employees to be exceptionally low. People have been asking him every day what they would do with the stock if war were to break out. At one time or another everyone had seen children playing with a bundles of prewar stock.

The management began to teach the workers about conversion to private ownership. The director engaged a retired director for this work. Workers Council Deputy Chairperson Antoni Rostek, a bookkeeper, says, "This is a friend of Karbowniczek's. He's being paid a million [zlotys] to be here with us now, and he's walking around the plant. He's no transition specialist, just a member of the old guard."

A brochure on the conversion to private ownership is being circulated, and now the workers are already being polled to find out who is in favor. Director Oldak says,

"From the questionnaires I've seen, 50 to 70 percent of the people are in favor of the process."

The director thinks that the conversion to private ownership will begin the first of the year, as of 1 January, or perhaps even sooner. Part of the stock is being distributed among the workers, at a million zlotys a share. "Speculation has come with awareness," he adds.

On the other hand, the plant's Solidarity union says that management is converting to private ownership because it has to, that actually it is disposing of the matter in its favorite way. The women in production are asking Chairman Kaminski what they are going to use to buy the stock with, when they do not have money to buy winter footwear. Now some unclarity has been created following the propaganda campaign. For example, people are convinced that anyone who does not buy stock will be let go. Or that the workers' profits, the so-called "14th [monthly pay check]," will be designated for a stock purchase plan, whether a person wants it or not.

At the beginning of September, the founding body issued a response to the Workers Council's bid concerning the removal of Director Karbowniczek. It was immediately duplicated and posted all over the plant.

"The document signed by Mieczyslaw Stelmach, Deputy Minister of Agriculture, shows the only result will be to pin another medal on Mr. Karbowniczek," says Solidarity Chief Andrzej Kaminski. It turns out that the ministry talked to the director, at the Workers Council's invitation, but he was not interested in having a chat.

The dismal situation at the candy factory was presented to Sejm Deputy Ryszard Bugaj. After reviewing the documents, he said that Wedel is a curious case.

Fortunately the Nestle representative turned up again to clarify what had happened. He had come at a good moment, because the voices were growing louder in the plant, saying that Swiss chocolate is intolerable. The Swiss representative went first to the Workers Council and the plant's Solidarity union. He is rather hesitant about going to the director's office, but it seems that, in the Christian spirit, the Nestle representative will forgive the Wedel director again.

## YUGOSLAVIA

### Serbian 'New Investment Cycle' Discussed

91BA0084A Belgrade NIN in Serbo-Croatian 19 Oct 90  
pp 18-20

[Interview with Dr. Mihailo Milojevic, president of the Serbian Economic Chamber, by Miroslav Vujovic; place and date not given: "The Federal Executive Council Versus Serbia"]

[Text] [Vujovic] What do you mean when you say new investment cycle?

[Milojevic] For too long now we have been witnesses of stagnation of development and investment in the economy. The consequences of this are immense: We lag behind in technology and both production programs and production capacities get out of date. All of this increases unemployment of producers of automation equipment and devices, since their domestic market is minimized. There is also a rise of unemployment of young, trained people. Production is declining, and a large number of enterprises are experiencing excessively great difficulties. We are not making progress economically. On the contrary.

The stagnation-prone policies of our governments have contributed to this situation. Those of the current federal government particularly. That is why we must have a change of direction, and that is impossible without invigoration of production, without higher employment, without more creation. Only development and investment activity on a larger scale can bring about constructive development in business and the economy. That is why we must have a stronger and bolder turn toward new investments, without which there is no progress.

I believe that the expression "new investment cycle" specifically implies all these tasks.

[Vujovic] When will the first investments begin?

[Milojevic] The investments have already begun. Work is being done on programs in which foreign capital is showing a great interest. Project plans are being worked out for large hotels, programs for what is called big business, for food production, as well as numerous programs for small business. We think that programs of that kind will be indispensable wherever real opportunities exist for creating jobs.

Serbia is particularly insisting on a more rapid change of the situation in existing industry. After all, it is in industry that we have quite a large number of skilled workers, but in some segments of industry we have programs which the market has left behind and technology that is way out of date. Those enterprises have to develop long-term linkage concerning technology, production, and marketing with world firms of good standing.

There are many firms interested in transferring part of their technology to our industrial enterprises, since they see such transactions as a good chance to make money. When this kind of cooperation comes about, when trust is built between firms and business people, larger undertakings will also be possible, stockholding and investment of foreign capital.

#### **The FEC [Federal Executive Council] Versus the Domestic Economy**

This kind of cooperation certainly must be supported by our government as well. Today, unfortunately, the Federal Executive Council is readier to heed foreign interests than our own. The federal government is at the moment

offering more favorable terms for importation of finished goods than for production supplies needed for unhindered domestic production. Even things of which we have an abundance are being imported. Under those conditions, why would foreign capital invest know-how and money in our country?

[Vujovic] Being specific, what are those new programs of particular interest to Serbia?

[Milojevic] Several such programs are being worked on at the moment in Serbia. Among the most important are the construction of up-to-date roads (the road from Feketic to Subotica, the Belgrade bypass, the Belgrade-Pancevo road), investment in the fuel and power industry and generation of electric power for export, projects in agriculture and food and beverage production, the construction and modernization of trunk rail lines of European importance (Subotica-Belgrade with the rail junction at Subotica and the Belgrade-Nis and Nis-Pirot-Dimitrovgrad lines), construction of a rail and subway junction in Belgrade, adoption of new technologies for telecommunications systems, invigoration of river transportation on the Sava and Danube, which will take on paramount importance after construction of the Rhine-Main-Danube Canal, setting up free tariff zones, further modernization of the aircraft industry and construction of a second runway at the Belgrade Airport, gasification and construction of water supply systems, more rapid housing construction....

These projects will also require large resources. We must seek to find them in the economy, in the banks, in the country's reserves of foreign exchange which have been often praised, but insufficiently utilized. And, of course, also from foreign partners and future beneficiaries who will benefit from these projects.

[Vujovic] Which branches of the economy will have priority in investment?

[Milojevic] Through the economic reform we have made the transition to a market economy with all its laws and rules of behavior. We cannot speak, then, about the traditional way of giving priority to branches of the economy. The priorities must go to economy, profitability, profit, and earnings. At the present time, it is difficult, almost impossible, to separate the branches of the economy. The highly interwoven nature and interdependence of programs for production and services and scientific research and the constant reassessment of business policy on the domestic and world market have made such a division unsuitable to a large extent. Attention should be directed toward programs confirmed by the market that are technically and technologically progressive. That is, the time has come to stress programs which improve the quality of life and the level of the country's technology and yield the greatest profit. That is why greater attention must be paid in future to inclusion in present-day development flows and market flows of Europe and the world, to more effective transformation



of enterprises, to restructuring the economy in its programs and ownership, to investment projects for which there exist domestic sources and foreign investment partners, who will at the same time be the purchasers of our products and services.

[Vujovic] Will restructuring of the economy increase employment?

[Milojevic] Unemployment has been too high up to now. It is true that there are a great many unemployed, but there are also quite a few "unemployed" among the employed. Once and for all we must give up efforts that offer no benefit, those which do not bring earnings, profit, which do not pay off. In the new organization of the economy, there will inevitably be retraining; people will not simply be left without work, but will do something more lucrative. The restructured economy will in fact offer much greater opportunities to the unemployed.

Effective management of socially owned property, its necessary passage over into public property and government property, investment by domestic and foreign owners of capital, and the owning of stock are becoming our tasks not because this is in fashion, but because it is an economic necessity. Put simply, we have to do what is beneficial to the workers and the enterprise.

However, it is an illusion that the immense socially owned property can be turned into private property overnight, just as it is an illusion that everything that is socially owned should be defended against the private operators. Those who advocate immediate privatization obviously do not see, or do not wish to see, that that move would be disastrous for a large number of employed persons. They would lose their jobs overnight, and even with the help of employment security offices, they would not move into a new job just like that.

[Vujovic] The economy of Serbia, and for that matter the entire Yugoslav economy, has so far not been able to boast of competitiveness on the world market. Will this new investment cycle change anything in that respect?

[Milojevic] We have enterprises with a high reputation in the world, with recognized technologies, products, and services. By reducing administrative restrictions and by granting far greater independence to enterprises, they will become more responsible for the results they achieve in competition with their leading world rivals. Many enterprises have not been forced to square off with competitors on the world market nor have they had any particular incentive to do so. It is obvious that a different time is coming. The present-day market demands and will demand that enterprises apply up-to-date technology, conduct business with marketing, institute superb management, and truly compete with the best. The government also takes on a new role here. It will

have to facilitate this world competition of our enterprises with laws and enactments oriented toward the world. It will have to guarantee at least an equal position of exporting enterprises and industries with those enterprises doing business on the domestic market. Yet our government is still pushing exporting enterprises into a corner.

The investment cycle we are in, or better put, we are at the beginning of, will certainly contribute to greater success on the world market as well. Put simply, reality itself will force it upon them.

### Sources of Financing

[Vujovic] What will be the principal point of support of the new investment cycle: domestic resources or foreign investments?

[Milojevic] Additional capital which our economy objectively lacks is a precondition for new investments. The long-term downward trend of "own" working capital, accompanied by the parallel process of astronomically high interest rates, has exhausted even organizations that were well-off. But if the new programs are attractive to the market and form capital, there ought not to be any problems with financing. There are the resources of the loan for economic rebirth of Serbia, shares, domestic and foreign investments by individuals, joint programs with foreign partners....

Among the foreign sources, although we feel that our main orientation must be toward joint ventures, there are also several sources of foreign credit. We should also anticipate a more significant participation of our citizens employed abroad. When the political situation stabilizes, the motivation of foreign capital to invest in Serbia will certainly be considerably greater. Even well-known world firms will be interested in joint ventures (and they already are). I would just mention some of them: Siemens, Philips, Alcatel, IBM....

But we must go all the way in honoring the programs for joint effort that are concluded. This means that both deadlines and quality must be met..

[Vujovic] What else has to be done for the investment cycle in restructuring of the economy to yield good results?

[Milojevic] It is quite essential that creation and creators have the place given them in the advanced world both in the system and in the law, but also in practical terms, in everyday life. I am referring here to a change in the position of material production, which in recent years has been literally plundered by legislative measures and practical policy, to such a degree that even successful performers have become unsuccessful.



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*11 January 1991*